

CBW

Czech Business Weekly

Volume 06 | Issue 16 | April 20, 2009 | CZK 59 | € 2.50 | £ 1.70

- Google to photograph Prague
- ČNB's Singer calls for stronger bodies
- Job market tough for those over 50

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Falling to pieces

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(IFLR Awards)

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Leasing Companies



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- NWR shares: anything but glamorous
- Software piracy is still a problem
- Hard times for developers

FROM THE TURBULENCE OF THE **OLD YEAR** TOWARD
THE CHALLENGES OF THE **NEW ONE**: WHAT WAITS
FOR **CZECH BUSINESS** IN 2009? p20

THE LIST

Trade Fairs & Exhibitions in 2009
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Czech Business Weekly is the official media partner for the Czech Republic's Presidency of the Council of the European Union.

Czech Business Weekly will bring its current and new readers weekly in-depth coverage connected with the Czech Presidency.

Editor in chief

Exiting ministers face tough job market

Dear Readers,

As far as local news goes, the main item has to be that some solid names are emerging to form the interim government, with various parties including the opposition Social Democrats putting forward some unaffiliated experts for the posts (*see Center Stage, page 7*). The change in government leaves a temporary vacuum, and any student of basic physics knows that this is not a stable situation. President Václav Klaus told daily *Mladá fronta Dnes* (MfD) that he would be “tuning up” his role in the Czech EU presidency, and has already reached an agreement with incoming Prime Minister Jan Fischer. The daily added that some Czech and foreign politicians have “expressed fears” about this already.

The Czech News Agency, citing the magazine *Reflex*, did find one important accomplishment of the outgoing Cabinet of Prime Minister Mirek Topolánek: it recently became the first Cabinet since the birth of Czechoslovakia in 1918 to be toppled by a no-confidence vote. Certainly, the team Topolánek put together had initially hoped to be remembered for more than this.

But the outgoing ministers and their staffs will be sharing a problem with many Czech people these days: unemployment. And in a case of “revolving door politics” the ministers that replace them will be back looking for new jobs in a few months.

The job market has shifted radically, with job seekers needing to adapt to new skills and new environment (*see Feature, page 18*). Jobs are leaving the industrial sector and going to other fields, such as IT. The loss of some auto sector supply jobs can be seen in this week’s Story (*page 24*).

For those over 50 years old—Topolánek turns 53 in May—the job market is particularly tough, with young managers reluctant to hire people trained to work in the socialist “I pretend to work and they pretend to pay me” era. The Czech Republic still hasn’t passed anti-discrimination legislation that would make it easier for older people to seek some recourse (*see Feature, page 20*).

Pending legislation will make it easier for companies to keep workers in the average and lower income group, with social tax breaks increasing as salaries go down (*see News, page 14*), but somehow it seems unlikely the soon to be unemployed ministers will be taking jobs for Kč 8,000 a month, which would qualify for the highest break.

President Klaus need not worry; a recent poll

shows that most Czechs assess his work positively, and his approval level has increased by 3 percent to reach 58 percent since the previous STEM poll in March.

The outgoing government members should be careful choosing references on their CVs, as the same poll shows only 10 percent of Czechs are now satisfied with the political situation. I suggest outgoing politicians use the weaselly “references available upon request” line until the whole falling government fiasco blows over.

Let a smile be your umbrella

While the political situation is grim, people in Prague should remember to walk around with a smile on their faces, especially on sunny days with clear blue skies. There is reason for this beyond simple dogged perseverance in times of turmoil. Web search engine operator Google is expanding its street level mapping to Prague, and you wouldn’t want to be photographed looking frumpy (*see Technology, page 57*). The company’s specially equipped camera car will soon cruise the streets on sunny days. Feel free to frown and wear those torn jeans on cloudy and rainy days.

Privacy advocates maintain you might not want to be photographed at all, and mention strict laws concerning surveillance videos. Lawyers give a more complex view, as would be expected. Google is using a special digital tool to blur faces and license plate numbers, so there is a bit of a legal gray area. The tool is far from perfect, though. Google says if you see your face online, you can contact them and have your face removed. I hope they mean just from Google’s Street View service and not in general.

For men who might want to actually be captured online and want to look their best, in this week’s Business (*page 32*) *CBW* examines a Czech-based menswear company that is managing to expand to other markets, despite the troubles in the European textile sector. The company’s co-owner says purple shirts are “in” this year. Purple is always a safe bet.

Rounding out this issue, we review “Victims of the Occupation,” a book that puts 1968 onto a personal perspective by telling the story of each individual who died as a result of the Warsaw Pact invasion (*see Lifestyle, page 62*).

Have a nice week,

Raymond Johnston



“But the outgoing ministers and their staffs will be sharing a problem with many Czech people these days: unemployment.”



CONTENT



LIFESTYLE

60 | Spain in Prague

Prague Castle's exhibition Spanish Prague achieves its goal of uncovering "a resonance of Spain" in Bohemia. Through paintings, statues, and books the exhibition traces the influence of Spain on Bohemia from the Middle Ages to the Enlightenment. The exhibition is divided into the Middle Ages, the Renaissance and the Baroque. Especially catering to enthusiasts of Czech history, the exhibition tracks Spain's stamp on Bohemia in culture, fashion and religion.

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FEATURE

18 | Refreshing the Job Market

Though the reshaping of the job market as a result of rising unemployment and the economic crisis may largely be negative, labor market observers see an opportunity for the Czech labor market to refresh itself. With competition for stable and well-paid jobs increasing, Czech employees are changing their habits, and many people are starting to take their work more seriously, experts say. This was the view of the majority of exhibitors who met for the annual employment fair Jobdays 2009 in Prague. More than 120 companies competed to attract an increasingly changing work force and also try to offer specific job opportunities by educating job-seekers about how to successfully find their place in the current and dynamic employment market.

THE STORY

20 | Automotive Parts Suppliers

The Czech automotive sector is starting to experience bankruptcies and forced restructurings, and in past months several first and second tier suppliers with operations in the Czech Republic have gone into bankruptcy. The global recession and drop in car demand is the first problem while a secondary concern is financ-

ing and liquidity. While some plant operations have already been shut down some industry insiders are saying the situation now may not be very good but at least it may be more stable. Experts still warn that problems in the Czech automotive sector do mean trickle-down impacts on other areas of the economy.

ON THE RECORD

28 | Miroslav Singer

Miroslav Singer, vice governor of the Czech National Bank (ČNB), told *CBW* that he is confident about the stability of Czech economy and financial sector in the face of global financial crisis and referenced liberal economic policies, responsible fiscal policies, low interest rates and efficient banking system as backbones of the Czech economy's long-term prosperity. Singer points out the fragmented supervision of financial institutions in the U.S. and UK, which allowed banks to take excessive risks, as the major culprit behind the current financial crisis and calls for the establishment of more consolidated financial market authorities to avoid future crisis in global financial institutions.

THE BUSINESS

32 | Jaspis Fashion

The fashion industry has not been spared by the global downturn as it relies on people having disposable in-

Presidency of the European Union

NEWS

11 | Agricultural Policy

At the end of May, Brno, South Moravia, will host an informal meeting arranged by the Czech EU presidency with EU ministers of agriculture, several members of European Parliament and agricultural experts. From May 31 through June 2, ministers will exchange ideas on the future of the Common Agricultural Policy (CAP). The Czech hosts will likely draw attention to what some agricultural representatives view as unequal support to newer EU members. Czech Minister of Agriculture Petr Gandalovič has stated that a priority of the Czech EU presidency is to create a new, more equitable system of direct payments for the period after 2013; however some farmers are demanding swifter action.

OPINION

16 | Turkey

The concept of creating one European identity based on the mutual goals of its member countries is still far from realization, and the currently frightening economic climate is only nurturing introspective and populist sentiment from European nations. Still, U.S. President Barack Obama went so far as to say that the potential membership of

Turkey in the EU would be scarcely less than wonderful for all involved parties, especially the EU. How could Europe consider granting this powerful nation membership into its still fragile union, potentially risking its own cohesion and likely destroying the teetering stability of the ethnically divided Balkans?

SOCIETY

66 | International Energy Awards

The ceremony for the International Energy Awards was held April 14 in Prague's Veletržní palác. Projects that find sustainable use for resources such as water, earth, energy and air or use renewable energy forms are eligible to compete in the competition and this year, 15 projects were nominated. More than 110 nations participated in this year's selection process. Political VIPs at the gala event included outgoing Czech Prime Minister Mirek Topolánek, EU Environment Commissioner Stavros Dimas, outgoing Czech Environment Minister Martin Bursík, and the environment ministers of the EU, European Free Trade Association (EFTA) and the EU candidates. The event was held as part of the Czech EU presidency. Awards were given in several categories: Earth, Fire, Water, Air and Youth.

come. Menswear retailer Jaspis Fashion has also been vulnerable to fluctuations in the global economy; however, the firm is looking to expand both domestically and to new markets. From a small textile operation started by four friends to one of biggest menswear retailers in the Czech Republic, the company is poised to secure the strength of its brand through innovation and individuality and aim for further expansion.

FINANCIAL MARKETS

50 | Private Equity Investment

In the current financial climate entrepreneurs may find that private equity investors are one of the few sources of finance still available to them. Enterprise Investors, one of the largest private equity investors in Central and Eastern Europe managing more than €1.7 billion in capital committed and investing in more than 100 companies since 1990, is still set to

grow further. Managing partner of Enterprise Investors Dariusz Prończuk spoke to *CBW* about how the private equity market is reshaping during the crisis and what moves his firm may be preparing to make in the future.

TECHNOLOGY

57 | Google versus Privacy

Search engine Google is now photographing the streets of Prague and its inhabitants for its new Street View service. The Street View service is proving very controversial worldwide because pictures of individuals and their property appear on the service without prior consent. The images of Prague will become available online later in the year, but it remains to be seen whether the particularities of Czech privacy and individual rights laws will lead to litigation. Street View and also other new Internet services are further irritating the ongoing conflict between privacy laws and advances in technology. ■

CBW

Czech Business Weekly

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Czech Business Weekly, ISSN 1214-8415 is published weekly with a Monday issue date by Stanford, a. s. Registration No. MK ČR E 15465. IČO: 25798031. It is distributed by CZ PRESS, spol. s r. o. Distribution to subscribers is managed by Česká Pošta s.p. Reproduction or use, without permission, of editorial or graphic content in any manner is prohibited. ©2007 Stanford, a. s. with all rights reserved. All unsolicited submissions are the property of Stanford, a. s.

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CTK

New Cabinet and **new campaigns**

Newly appointed interim Prime Minister Jan Fischer (*pictured*) is attempting to form a government amid opportunist moves by several key Czech politicians who appear to be preparing for early elections forecast for October

Fischer, who is also chief of the Czech Statistical Office (ČSÚ), received a list of ministerial candidates April 16 from the Civic Democrats (ODS) and the Greens (SZ), Czech daily *Mladá fronta Dnes* (MfD) reported. The day before, public radio broadcaster Český rozhlas reported that the Social Democrats (ČSSD) presented Fischer with their list of nominees. This should mean that Fischer is in a position to form his Cabinet. *MfD* also reported, though without naming sources, that President Václav Klaus wants the new prime minister and Cabinet sworn in before May 9, the date agreed upon by all political parties, but it appears that outgoing Prime Minister Mirek Topolánek and his rival, ČSSD leader Jiří Paroubek, are not in a hurry. At an April 16 press conference, Fischer stressed that so far he only has a list of names and that he would have to talk to each candidate before nominating them officially. The nominated interim prime minister said he wanted another a week to consult with candidates before he would present a list of proposed ministers to the president.

The Christian Democrats (KDU-ČSL) have raised eyebrows with their decision not to nominate candidates for the interim government. "KDU-ČSL is not going to participate in any proposals on [forming] the new Cabinet," KDU-ČSL chairman Jiří Čunek told daily *Hospodařské noviny* (HN) April 17. "We are a party participating in the coalition project, which is to end by May 9. Then we will become an opposition party," Čunek said.

Political scientist Tomáš Lebeda said he believes that the KDU-ČSL wants to stress its independence because there is growing concern within the party ranks that the party has "too much of the ODS blue tint." Nevertheless, it is to be expected that when it comes the election campaign, the two strongest parties will probably drown out many of the other parties' campaigns and the KDU-ČSL will find it hard to get their message across to voters. But this would also have been the case had the coalition remained intact, Lebeda explained. "In general, political theory says that the fewer members, the stronger the coalition," Lebeda told *CBW*, explaining why he believed that the KDU-ČSL decision is probably rather sensible.

On the other hand, one should be cautious about taking KDU-ČSL representatives for their word. Whatever the stated aims of the KDU-ČSL—or any other party for that matter—it seems clear that all their current maneuvers are being made with sights set firmly on the planned October elections.

Also, outgoing Prime Minister Topolánek is already lining up his forces for the coming campaign. In an interview with *HN* on April 17, he said he wanted to lead a broad alliance of right-oriented candidates and did not rule out forming an election coalition with some of the minor parties. "I don't want to extend the ODS rank-and-file now. I'm speaking about cooperation with various institutions and associations," Topolánek said. In this connection, he mentioned the Confederation of Political Prisoners (KPV). Topolánek met with a delegation from this organization prior to the interview. ■

—mk—

NEWS



Jan Třeštk

Macek: Klaus plays into Russian hands

Christian Democrat (KDU-ČSL) deputy chairman

David Macek says he thinks that the fall of the government was an attack on the Lisbon Treaty and on the Czech presidency of the Europe Union.

BY TOMÁŠ PIŇOS

Macek is also persuaded that Czech President Václav Klaus was behind the attack. Macek claims that Klaus is trying to reverse the turn of events in the Czech Republic after the Velvet Revolution in 1989 and plays into Russian hands. The KDU-ČSL is calling for the government of Mirek Topolánek to be allowed to finish

the EU presidency.

Macek also says that if a government of clerks starts to govern the Czech Republic, the KDU-ČSL will go into opposition. "We did not evoke the fall of the government, those who did it, should bear responsibility for what they have done," he says.

But he concedes that if new ministers do come in, the outgoing ones should at least help out until the EU presidency is over.

Q: Would you say that the KDU-ČSL is now in opposition?

A: So far we are a government party, and we are henceforth ready to carry the government responsibility. However, we have a condition that is necessary for the interests of the Czech Republic, that the current government should finish the presidency.

Q: But isn't that already a thing of the past?

A: I think we can experience many surprises, as we can see from the behavior of the Social Democrats or the president who claim one day that they want a government of non-party men, clerks, a puppet government or however they call it, and on the second day rumors appear that there should be some representative of some political party. I think that these negotiations, which don't help us, can bring a whole lot of surprises.

Q: Let's suppose that the new government will really start to govern as of May 9. Will the KDU-ČSL go into opposition in such a case?

A: We are very consistent, and we say all the time that if a new government comes during the Czech presidency, the KDU-ČSL will not participate in it and will go into opposition.

Q: What would you say that has happened in the Czech Republic?

A: In my opinion, this attack on the government was an attack on the Czech presidency [of the EU] and on the ratification of the Lisbon Treaty.

Q: Who was behind this attack?

A: At first sight this attack was coordinated by the Social Democrats (ČSSD) but when we looked into their faces shortly after the fall of the government, it was clear that they were not enthusiastic about it at all. We could say that they have suffered a victory. [ČSSD chairman] Jiří Paroubek will definitely not boast about the reaction of European socialists to the fact that they have threatened the ratification of the Lisbon Treaty by expressing no confidence in the government.

For me it was also warning when [former ODS Parliamentary Deputies Vlastimil] Tlustý and [Jan] Schwiappel said that they had to decide whether to support [Prime Minister Mirek] Topolánek or Klaus. They decided to support Klaus, which indicates that Klaus was behind the fall of the government. It is certainly a hypothesis, but the fact is that President Klaus did nothing to dissuade politicians and political parties from expressing no confidence in the government in the middle of the European presidency.

Q: So you think that Klaus played an active role in it?

A: I'm saying only what is apparent: I did not hear any statesman-like voice from Prague Castle that would appeal to politicians to be responsible in the middle of the presidency and to keep political stability.



Jan Třeštil

noviny written by some medical doctor who claims that on the basis of observing Mister President that it is not difficult to make his diagnosis. He probably meant something from the sphere of psychiatry. Mr. President, as it seems, needs to be in the center of attention. When we monitor his opinions on the foreign policy, it is clear that his attitudes are in tune with Russian interests.

Q: However, on May 9 Czech Senators should vote on the Lisbon Treaty. ODS Senators start to say that they will probably vote for the treaty as there was enough of shame in Europe and because they do not want to play into Russia's hands. Do you think that the treaty will be approved by the Senate?

A: I deeply believe that it will be approved.

Q: It is very probable that the Czech Presidency will be finished by a new clerical government. When you see the names of nominated ministers, will they be able to manage the presidency?

A: These new faces, new people without a clear political background, will mean a weakening of the Czech Republic in the EU presidency in any case, as no one will take them seriously. If we speak about managing the presidency, these things are certainly well-started. Much of that is on the shoulders of clerks who cope with it—in contrast to politicians—excellently, so they will probably be able to finish it. But we had a big

chance to influence Europe in light of its further development. Now we are going to be mere moderators of debates, if something even worse does not happen.

Q: Will the new ministers be prepared to manage the presidency or will it be necessary to train them first?

A: I do not wish that new ministers will come, but if it happens, I certainly like my country and I will keep my fingers crossed for them.

Q: Can you imagine that outgoing ministers would provide the incoming ministers with some know-how, or that they would be their advisers?

A: I will leave it up to them how they prepare for their functions.

Q: But what do you think would be good for the future of the Czech Republic?

A: I would consider it reasonable if the outgoing ministers helped the new ministers, if they passed their agenda onto them [and] if the new ministers could ask them for their help. ■

Q: What do you think Klaus' political motivation is? Why does he block the approval of the Lisbon Treaty and a successful term for the Czech Presidency?

A: In the long term, Václav Klaus tries to reverse the turn of events in the Czech Republic after the Velvet Revolution in 1989. The motto of these events was a slogan 'Back to Europe.' We are symbolically crowning this slogan by presiding over the Europe Union. But there are topics like, for example, the Lisbon Treaty in which Klaus' opinions are in tune with Russian interests. What does the Lisbon Treaty means? It brings a unified foreign policy, a unified energy policy. It is in Russia's interests that none of these policies are realized.

Q: Why should Klaus play into Russia's hands?

A: I myself ask this question.

Q: Does anybody see into Klaus's motivations?

A: I read a commentary in [daily] *Lidové*

NEWS

Property & Development

State to provide subsidies to apartment house owners

Apartment house owners can until the end of this year apply for subsidies from the State Fund for the Development of Housing (SFRB) totaling Kč 4.1 billion (€52 million) for renovation and thermal insulation of their residential buildings.

BY MARTINA MAREČKOVÁ

The Ministry for Regional Development's (MMR) Panel Program aims to support renovation and thermal insulation of prefabricated as well as non-prefabricated apartment buildings, but not family houses. The proposal was sent last week sent to the Office of the Czech Government, said Pavel Rakouš, director of the MMR's Housing Policy Department. "The dwelling stock is also neglected in non-prefabricated apartments," Rakouš said at a discussion meeting on state support in housing stock revitalization held last week in Prague. "The owners of non-prefabricated apartment buildings complained that owners of prefabricated apartment houses are favored," SFRB director Jan Wagner said, adding that the proposal's approval is a question of weeks, and it could potentially become effective in June.

The Panel Program will focus on the complexity of the renovations and applicants will obtain "a significant bonus" for energy-efficiency features, he said. "The ministry wants to motivate owners of apartment houses for a wider renovation and thus lower energy consumption," Rakouš said. Insulated buildings are more environmentally friendly since they have lower CO2 emissions and have lower operating costs, Wagner said. "The market value of such a building increases, while operating costs decrease, which has a positive impact on the amount of rent particularly in a situation when rent regulation will be terminated," Wagner said.

Buildings make up 40 percent of the world's total energy consumption with heating and air conditioning accounting for a large part of the energy consumption. In



Martin Siebert

Central and Eastern Europe, buildings have relatively low energy efficiency; their energy consumption is 25 percent per square meter higher than the EU average.

A serious issue for the Czech housing stock is the state of the elevators in apartment buildings. "Within the next five years we have to replace about one-third of the elevators in multistory apartment buildings to meet the EU guidelines," Rakouš said.

The Czech government in mid-February approved a Kč 600 million subsidy for SFRB, which had previously earmarked Kč 3.5 billion for its Panel Program for 2009, bringing the total to Kč 4.1 billion. The Panel Program was launched in 2004 with the goal to support renovation of prefabricated apartment buildings. An important part of the program is insulation of apartment buildings. Within the program, applicants can obtain subsidies for loans.

The ministry said earlier it aimed to support renovation and thermal insulation of at least 100,000 prefabricated and 50,000 non-prefabricated dwellings annually. Approximately one-quarter of the Czech population lives in prefab buildings, and their modernization will help enhance their social status, experts said. "We want to hinder the vision that tower buildings have become districts for low-income residents," Dan Jiránek, mayor of Kladno, Central Bohemia, and a representative of the Association of Towns and Municipalities, said at the discussion meeting. Kladno has extensive experience with renovation of prefabs, and in some cases the cost savings can reach up to 70 percent, Jiránek said.

Jana Drápalová, the mayor of the Nový Lískovec city district of Brno, South Moravia, said that each household living in a renovated prefab saves Kč 15,000 on average per year on energy costs. Some 10,000 of the total 11,000 residents of Nový Lískovec live in prefabs. The local municipality decided to transform the prefabs into energy-efficient apartments in late 1990s and in 2001 they renovated the first two prefab apartment houses. Drápalová mentioned one negative aspect—the subsidy application process takes a fair amount of paperwork.

The commercial sector expects to benefit from the Panel Program as well. **RI Okna**, a manufacturer plastic windows and doors, expects that the number of its potential clients ordering insulating glass will increase after the government approves the proposal, according to RI Okna deputy director Roman Kozumplík.

Insulation reduces operating cost of buildings by about 50 percent, said Karel Klátil, commercial director of the Czech subsidiary of **Knauf Insulation**, a leading global manufacturer of thermal and acoustic insulation. The company in 2006 invested Kč 2.7 billion in Krupka, North Bohemia, into a modern glass wool plant. Knauf plans to introduce a "revolutionary" insulation product this summer onto the Czech market, which will be produced Krupka, Klátil said. The patented Ecoso technology delivers superior environmental sustainability, reduces embodied energy, and contains no phenol, formaldehyde, acrylics or artificial colors typically found in fiberglass insulation.

While Klátil said that demand for insulation products is dipping with global recession and their prices decreased 30–50 percent against the peak in 2007, RI Okna has not registered a drop in its production and sales activities this year. RI Okna increased its output in the first quarter of this year by 2.2 percent year on year, Kozumplík told *CBW*. For 2009, RI Okna expects to increase its revenues to Kč 1 billion, he said. ■



Martin Siebert

EU ministers of agriculture, several members of European Parliament and agricultural experts are coming to Brno, South Moravia, at the end of May for an informal meeting arranged by the Czech EU presidency. From May 31 through June 2, ministers will exchange ideas on the future of the Common Agricultural Policy (CAP).

BY EMILY THOMPSON

Direct payments of agricultural subsidies is expected to be a central part of the discussions, and the Czech hosts will likely draw attention to what some agricultural representatives view as unequal support to newer EU members. "The priority of the Czech [EU] presidency is the creation of a new, more equitable system of direct payments for the period after 2013," said outgoing Czech Minister of Agriculture Petr Gandalovič.

The 10 countries that joined the EU in 2004, including the Czech Republic, began receiving direct payments at 25 percent the rate of older members, with gradual increases planned to bring them to 100 percent by 2013. They also received a higher level of rural development funds, and national authorities were allowed to make top-up payments until parity was achieved. "It was feared that full payments immediately would act as a disincentive to farm restructuring,

We also wanted to avoid large discrepancies in income between farmers and non-farmers in rural areas," said Mariann Fischer Boel, European commissioner for agriculture.

But some farmers are demanding swifter action. Some 8,000 farmers from eight new EU countries protested in Prague on March 12 to voice their disapproval over the disparity (see "Farmers ask not to be treated like 'beggars,'" CBW, March 16, 2009). Jan Veleba, president of the Czech Agrarian Chamber (AK ČR) and one of the organizers of the March demonstrations, promises a similar protest in Brno.



Petr Gandalovič

Gandalovič has been critical of Veleba's methods. "I do not on principle accept [the protestors'] objections, and it seems unfair to me to misuse the top international meetings for allegations that the Czech government or Brussels do not do as much for them as they should," Gandalovič said.

Planners of the Brno meeting tried to be inclusive. "We have tried to invite all sides, includ-

ing those who are unhappy. We hope that if they are included in the preparations, this will limit the demonstrations," said Marie Zezůlková, director of the Brno City Strategy Office, which is making preparations for the meeting. She added that the main discussions are closed. "But we would like [the protestors] to be listened to during [other] activities," Zezůlková said.

CAP has been criticized for favoring larger farming operations. Critics claim that nearly two-thirds of CAP support goes to only 20 percent of producers. Pekka Pesonen, secretary general of agricultural umbrella group Committee of Professional Agricultural Organizations (COPA), said it would be unfair to punish large farms for producing more. "If a farmer ... fulfills the [decoupling] criteria that he or she has been given, then the question of farm unit size is secondary. So taking into account the employment factors and the positive impact the farming community has on the environment, there is no reason to segregate or treat farmers differently in this respect," he said.

Decoupling, or separation of subsidies from production, has been in effect since 2003, and makes more money available for environmental quality or animal welfare programs. Boel said that this reform has been successful. "The fact that subsidies are no longer linked to production means that farmers can take their decisions based on market signals rather than where they can get the biggest subsidy," she said.

Pesonen, however, warns that taking the emphasis off production could hurt small farmers. "If the economic incentive to produce is not there, that creates a particular problem for the minor sector because their existence on the European market is endangered," he said.

Boel said the environmental bent of the criteria for subsidies will improve public opinion about the system of support, but since CAP consumes nearly half of the EU's annual budget according to the European Commission, any further reforms suggested at the Brno conference will still have to be justified. "I want to see a bigger role for rural development policy," Boel said. "We need as much market orientation as possible, but we need to maintain a modern safety net for times of real crisis."

Whatever agreements are reached at the meeting in May, organizers of the Brno event hope the decisions will put the city on the map. "Mr. Gandalovič promised us that they will speak about something that we can call the Treaty or Pact of Brno," Zezůlková said. "He promised us that they will deal with something very important, and then afterwards we can say 'this was decided in Brno.'" As of press time, it was unclear what impact the changes in the Czech government would have on the agenda for the conference. ■

NEWS

Legislation

The amendment on insolvency may complicate new loans



Jakub Stadler

Three anti-crisis steps are yet to pass a further two hearings in the Chamber of Deputies: a social insurance discount, accelerated amortization of business property and an amendment to the insolvency act. The aim of the latter is to protect crisis-stricken businesses, but in fact it may send them into an even worse crisis, experts say.

BY MARTINA MARTINOVIČOVÁ

At the beginning of April the three drafts passed their first readings in the lower house. But the main debate still awaits them. After the fall of the government, both of the strongest political parties promised each other they would pass in the first hearing all their drafts of anti-crisis measures, leaving the definitive decisions on them to the second and third reading. The government's proposals were approved April 3.

But the proposed changes to the insolvency act may be problematic. According to outgoing Minister of Justice Jiří Pospíšil, its aim is to protect jobs in firms that find themselves in trouble, to keep the businesses from liquidation and protect employees from the employers' insolvency. The amendment should help thousands of glass-makers from **Bohemia Crystalex Trading**—as well as employees of other firms coping with insolvency petitions—to get at least a part of their monthly pay.

The Social Democrats (ČSSD) gave their preliminary consent to such step. But the draft includes a clause that has evoked warnings from banks and lawyers. The draft as it has been worded may undermine bankers' willingness to provide firms with credit and paradoxically send even more businesses to insolvency.



Josef Tauber

According to the draft, every subject who lends money to a firm in insolvency would automatically share with other lenders all guarantees previously used by the firm to secure credit.

This means in the first place that in the future banks—or nonbanking subjects—cannot be certain any longer of the value of any given collateral, as anyone could be sharing a piece of it and therefore no real assessment of value of the security could be calculated. This may lead banks to considerably reduce giving credits, and this would even reinforce the negative impact of the financial crisis.

Banks are afraid that the value of collateral put up to secure credit may dissolve if some other subjects—banks or others—provide a firm in difficulties with new credit, and their claims will later be settled out of securities already used for earlier debts at a rate that depends on the number of creditors.

Banking association is warning

“Passing the amendment in its present form may complicate credit accessibility for many firms,” said Josef Tauber, executive director of the Czech Banking Association (ČBA). “Banks would have no other choice than demanding further guarantees or increasing their risk margins, and that might reduce flow of money,” he said.

Parliamentary Deputy Marek Benda (Civic Democrat, ODS) also warned of possible negative impacts of

the amendment. "I think it is a problem. We will have to discuss possible solutions in [parliamentary] committees because potentially it could impose the necessity to revalue all claims guaranteed by securities as items based on lower value, which would be a problem for banks," he pointed out.

Ivan Sagál, a partner at law firm **Weinhold Legal**, said that the amendment works out in detail the existing concept of crediting a debtor in bankruptcy. It is a situation where a bankruptcy trustee has the power to negotiate credit contracts. According to current regulations, creditors, usually banks, have a right of preference; such credit contracts are to be negotiated with them. But the proposed amendment brings in a new rule applicable in situations where creditors do not exercise their prerogative and someone else provides the credit. Claims of these new creditors are then to be automatically taken as secured in the same degree as claims of the original creditors.

Simply put, if a firm in insolvency obtains credit not from its bank but from another subject, this new subject is fully entitled to have the claim settled from collateral that already guarantees an earlier debt from the firm's bank. The bank can only look on as the value of the collateral securing its claim is watered down.

Experts said that the amendment, if passed, may lead to a string of lawsuits for violation of investment protection rights. Credit may become more expensive, and requirements for securing credit would grow disproportionately.

The amendment may have a negative impact not only on firms but also on the health of banks. They will be under pressure to continue financing their debtors and increase their claim with them "to protect their security." There may appear a lot of speculators on the market willing to lend money to firms with the only goal of participating on the value of other lender's collateral in insolvency proceedings.

Discounts derived from amount of salary

The proposed amendment to the law on social insurance, which brings in discounts on businesses' payments for their employees, should help reduce layoffs among employees with low income. Outgoing Minister of Labor and Social Affairs Petr Nečas said he believes that the amendment together with programs offering education and training, financed out of the European Social Fund (ESF), may help to save 50,000 to 70,000 jobs. It should spare firms expenses in the amount of Kč 18 billion (€670 million), which would be lacking in the state budget. The amendment should remain in force for

only two years.

The discounts are aimed at saving jobs mainly for low income people. They will apply only to those whose maximum earnings are at the most 1.15 times higher than an average pay. The lower the income of an employee, the higher discount the employer may get.

The draft also proposes a one-time discount that firms could apply for in 2009, if the amendment is approved.

The Chamber of Deputies also supported the government's anti-crisis proposal to accelerate the amortization of selected business property. The draft proposes among other things to shorten the period for amortization of a car from five to two years. The ČSSD agreed; they had a similar proposal in their own anti-crisis plan.

Accelerated amortization should apply to property acquired between Jan. 1, 2009, and June 30, 2010, but only on items included in the first two groups defined by the law on income taxes. ■

How much firms save on social insurance

Gross pay (in Kč)	Discount for employee (in Kč)
8,000	630
9,000	597
10,000	564
11,000	531
12,000	498
13,000	465
14,000	432
15,000	393
16,000	366
17,000	333
18,000	300
19,000	267
20,000	234
21,000	201
22,000	168
23,000	135
24,000	102
25,000	69
26,000	36
27,000	3
27,100	0

Source: Czech Statistical Office, November 2008

How amortization will be accelerated


Selected examples of properties from the first and second groups, according to the law on income taxes:

First group—instead of three years only one year of amortization applies to some plastic office and school supplies, glass items used in health care and pharmacology, machines and devices for gardening, forestry, poultry farming and beekeeping, mechanic's tools and instruments, office machines and computers.

Second group—instead of five years only two years of amortization applies to carpets and other textile flooring materials, ropes, belts and pumps, cooling and freezing facilities, vending machines, tractors for agriculture and forestry, machine tools, shaping machines, private cars, motor vehicles for cargo, vehicles for transportation of 10 or more passengers.

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Q & A

Sheraton paves way for entry of Starwood hotel brands

Most major hotel brands are present in Prague, and the opening of Sheraton Prague Charles Square Hotel marked the debut of U.S.-based hotel company **Starwood Hotels & Resorts Worldwide** in the Czech Republic.

BY MARTINA MAREČKOVÁ

The new 160-room and suite Sheraton hotel opened last month on Žitná street in Prague 2, following a 21-month construction and restoration of a building that had previously hosted the Golden Gate hotel. The property's owner is **Orchid Investment**, part of real estate investment company **Orchid Group**, which said that renovation costs exceeded €30 million (Kč 795 million).

Starwood has more than 940 properties in 97 countries in its portfolio and expects to open its 1,000th property by the end of this year. Roeland Vos, Starwood president for Europe, Africa and Middle East (EAME), spoke to *CBW* earlier this month after the news conference marking Sheraton entry to Prague.

Starwood plans to open 50 new hotels in the EAME region by 2012, of which the CEE accounts for nearly half of all new projects. The company is looking to open further Sheraton hotels in the Czech Republic. Starwood operates nine hotel brands and the company wants to launch some of these brands such as Aloft in the country but the company's Le Méridien brand will not open in Prague according to the schedule, Vos told *CBW*.

Q: Sheraton is one of the last global hotel brands to establish a presence in Prague, why did it take you so long to enter the Czech market?

A: I think that one of the reasons it took so long was for us to find the right opportunity with the right partners. We have been looking at getting into Prague for 14 years and we have been looking at a number of projects that either did not fit any of our brands or where the financial situation would not guarantee the returns to us or to our owners, and that's why we walked away from a number of projects. We're very happy now to have a final project for one of our brands and I'm sure there are going to be other opportunities. It took long time but I think it's better to

wait for the right opportunity than to pick the wrong spot.

Q: Why didn't you reach an agreement with the other potential partners you had been talking to?

A: Most of the time it ends up on financial discussions and brand discussions. If it is to take a location that would not fit with the brand we would say no. If the vision that we would have for the Sheraton brand would not fit with the vision of the owner then we would not be able to do a transaction, and obviously if the expectations from owners are different from a financial point of view we would not match a deal.

Q: How happy are you with Sheraton's location on what you call 'lively' Žitná street?

A: Here you're close enough to whatever is going on in Prague and at the same time with the kind of offering we have both for business travelers as well as for the leisure travelers, this is a good location. ... Starwood has a lot of business people who collect Starwood preferred guest points and miles and use those miles in their leisure time. So a lot of people who would come here on business will afterwards come back with their families and with their spouses and use that to stay in a hotel like Sheraton.

Q: According to your Web site, the plan is to open Starwood's other brand Le Méridien in Prague in December 2010. How is it progressing?

A: I don't think it is going to happen [by 2010]. We're working very hard with the ownership group [**J&T**]. It's a fantastic location, very lively, it's a super building. We're trying to find ways to get that progress going forward, we have contracts that are signed and it just takes a bit longer than we had anticipated. I think there will be delays but we'll continue working on it and I'm still confident that we will open that hotel but I cannot give you the opening date yet. Doing a project like this is complicat-

ed; there are a lot of players in there, the local authorities, the ownership group, the banks, the hotel company. ... As far as we are concerned, if I would think it's not going to happen I would tell you because then we're wasting our time.

Q: What is a typical guest of Sheraton?

A: Obviously there are differences in guests in different countries and different feeder markets. In the past we used to divide people into how much money they make, what type of work they do. We still look at those kinds of things ... but at the same time the most important is lifestyle. If you feel comfortable in this kind of environment, in the lobby area then that is the lifestyle that you will very often find back in those people's houses as well. ... A Sheraton customer will be a different personality than the Méridien customer, and the reason for that is in the type of lifestyle that they would expect when they walk into the hotel. That is why it is so important to make a differentiation between the brands because if not they'll all become the same and they'll all look the same and feel the same.

Q: How do you attract clients in these difficult times?

A: There are a number of things we focus on very strongly and especially nowadays. The Web and everything that is Web-related is extremely important for us; we work together on the Web with owners and partners to drive demand into a city. The good thing about the Web is that you can see immediate results so if you make special offers you can see whether it works or whether it doesn't work.

Q: One of the client segments is a conference customer; how has the global economic situation affected your business?

A: We have seen a big drop. One of the first things that big companies do in a crisis is that they cut on travel, on meetings, on conventions. People will now for a period of time reduce the number of meetings that they're going to have, but afterwards they will have to start meeting again. This doesn't last forever, there might be a dip right now in the number of meetings that we see but that doesn't mean that we're going to break ties with our corporate customers. I think that in a hotel like this the perfect thing would be to have like two, three smaller meetings, not big conventions,



just a number of small groups per week that you have in for business meetings, whether it is a few small groups of 10 people or 50-70 people, it doesn't really matter.

Q: What markets have been most affected?

A: It started off in the U.S.; it then started to come over to Europe. The first markets that we saw were suffering were UK and France. Normally if New York suffers then London suffers immediately after, it's a matter of months and it takes more or less half a year before it comes to Western Europe. That is exactly the same thing we saw happening here. There were two markets that were specifically difficult for us and that was Spain and Italy and that is because they had internal difficulties in those markets that were not directly related to the financial crisis. Over the last six to seven months it slowly rolled out over the whole of Europe, including Eastern Europe, the only two areas that were holding up, in my region at least, were the Middle East and

Africa. With the exception of Dubai where we've seen a drop in December for the first time in that part of the world, the rest of the Middle East is still holding up quite well and also Africa as a whole is doing very well.

Q: Starwood has nine brands; do you eventually plan to introduce some of your other brands to the Czech market?

A: I would love to but only if the opportunity is right. Right now our fastest growing brand is W, we have 12 hotels under construction right now. We'd love to get the brand also to Prague but you need to have the right opportunity in the right location with the right set of customers that you'd expect to bring there and those opportunities don't grow on trees so it might take some while. On the other hand, for some of our other brands I could imagine that there would be areas around Prague or in secondary or tertiary cities where Aloft or Four Points, for example, could be very much of interest. Our development team will be looking at all those opportunities;

we'd love to have a few more hotels in this part of the world. If you talk about secondary cities like Brno [South Moravia] and Ostrava [North Moravia] we would probably look [to open] Sheraton first and then Westin. If it's on the outskirts you would take Aloft or the Four Points, [regarding] W, it would be for the moment only Prague.

Q: What do you consider the biggest challenge in this period?

A: To stay upbeat. Don't sit back and wait till it's going to go over, just be active, be positive but then make sure that people in your hotel stay close to your customers. If the city is full, they have no choice, they have to stay somewhere. If the city is not 100 percent full they have choice so why would they come to your hotel? I think the good news here is a crisis like this will separate the strong brands from weak brands and the strong brands will survive and the weak brands will die and that's good for us because we only have strong brands. ■

Politics and civil society

Turkish membership could jeopardize EU cohesion

If further political integration of the EU is to be successful, it is necessary to attempt to forge some form of common European identity. This is a huge challenge with almost abstract qualities—it will take many years and at least another generation. Danes cannot be forced to be patriotic about French cuisine, nor could one realistically expect that Finns would consider bull fighting to be a part of their cultural tradition.

A European identity must be built from scratch, based on common aims, goals and values in today's world. Education, youth and student exchanges are essential to increase the awareness and knowledge of the continent's young about their neighboring cultures and to teach them to appreciate, respect and celebrate Europe's rich diversity. But any attempts to forge an artificial, homogenized common cultural identity are bound to fail. The fate of Esperanto illustrates this clearly. And I need hardly mention that all attempts to impose a single politico-cultural system by force have proved disastrous.



Essentially, the ambitious European project is still in its infancy: it's still fragile and survival is certainly not guaranteed. If the current economic recession is protracted, the possibility of an EU member state electing a government on the back of a protectionist, anti-immigration, anti-EU agenda is very real. In times of hardship, nations become more introspective, and populations become more susceptible to populist rhetoric. In January some 3,000 workers in the energy sector in the UK went on strike in protest of construction jobs at the Lindsey Oil Refinery in North Lincolnshire being given to mostly Portuguese and Italian workers.

The decision by Germany and Austria to wait until the last possible moment—May 2011—before opening their labor markets to citizens of

the new EU member states that joined in 2004 is influenced more by politicians' concerns about public opinion than by genuine economic fears. In the current climate it is hardly surprising that politicians in older EU states are keen to avoid public debate about further expansion of the EU. Yet the bloc cannot shy away from one of its greatest challenges—the western Balkans. To help establish genuine mutual trust, long-term stability and constructive relations between the nation states in this region with its troubled history, is in the interests of the whole EU.

And the question of Turkey's prospective EU membership is intrinsically tied to the fate of the region. As an EU member, Turkey would become the dominant nation in the region both politically—by virtue of having the largest number of members of European Parliament (MEPs)—and economically. Given the current conditions in the EU as a whole and in the Balkans specifically, Turkish EU membership is inadvisable for at least another decade. The potential consequences of populist opposition to Turkish membership could threaten the cohesion of the EU, and in the ethnically divided Balkans, it could lead to bloodshed.

According to a Eurobarometer opinion poll conducted in September and October 2006, 59 percent of citizens questioned in 27 EU nations said they were against Turkey joining the EU, while only about 28 percent said they were in favor. In the current economic climate, I would bet that the number of opponents has risen considerably. One can also safely guess that the percentage of opponents is far, far higher in Greece, Macedonia, Bulgaria and Serbia.

I somehow doubt that before voicing his support for Turkish EU membership at the recent EU-U.S. summit in Prague, U.S. President Barack Obama didn't give much, if any, consideration to the aforementioned issues. "The United States and Europe must approach Muslims as our friends, neighbors and partners in fighting injustice, intolerance and violence. ... Turkish membership in the EU would be an important signal of [Europe's] commitment to this agenda and ensure that we continue to anchor Turkey firmly in Europe," Obama said. I don't know which history books Mr. Obama has read, but Turkey has only ever been anchored in Europe through military invasion and, at one stage, forced conversion of the local populations. In the Balkans especially, this has not been forgotten. In any case, Mr. Obama doesn't have to contemplate the prospect of opening the U.S.



Tom Lawrence Jones

labor market to a nation of over 70 million, the majority of whom adhere to a different religion with values that can be at odds with Western democratic principles. French President Nicolas Sarkozy and German Chancellor Angela Merkel were right to criticize Obama for interfering in the internal politics of the EU.

But the question arises as to whether fully fledged EU membership would actually be in Turkey's interests. The country's close historic and cultural ties with the states that were once part of the Ottoman Empire, namely Azerbaijan, Turkmenistan, Kazakhstan and Uzbekistan, are now translating into prosperous economic relations and the Baku-Tbilisi-Ceyhan pipeline is probably just the beginning of Turkey's ascendancy as a major hub for oil and gas from the Caspian and Central Asia. Those countries all speak Turkic languages, which are to varying degrees mutually understandable, and in former Soviet Central Asia, Turkey is certainly seen as a cultural center.

Turkey recently introduced visa-free travel for the citizens of Turkic Central Asia and the Economic Cooperation Organization is growing in significance. Turkey's growing involvement and influence in the region would be compromised by the constraints of EU rules. What is more, Turkey's secular constitution and democratic tradition can serve as an example of a viable alternative to the authoritarian regimes of Central Asia headed by former Soviet apparatchiks, and also to opposition Islamist movements in the region.

At the same time Turkey can serve as a strategic counter-balance to Russia's reassertion of influence in the region. The recent decision by the Kyrgyz government to eject the U.S. military from the strategically important Mansas Airbase illustrates how little influence the U.S., let alone the EU, has managed to assert in the "Stans." Given that energy security is now one of the EU's prime concerns and Turkey's membership to the EU does not appear viable for at least another decade, it would seem logical for the EU to actively encourage closer ties between Turkey and energy-rich Central Asia. ■

MONDAY 20**Certificate internal auditor**

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TUESDAY 21**Internet advertising conference 2009**

Registration required
 9 a.m.–5 p.m.
 Slovanský dům,
 Na Příkopě 22, Prague 1
 Sdružení pro internetovou reklamu
 tel: 244 003 130
 http://iac.spir.cz/

IT asset management and license management in practice

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 Café Municipal House
 Upper Gallery
 & Billiard Room
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 Prague 1
 Canadian Chamber of Commerce
 tel: 225 000 345
 events@gocanada.cz

Crisis management in the energy sector

Conference—registration required
 April 21–22
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 V Celnici 8, Prague 1
 IIR Praha
 tel: 222 074 555
 konference@konference.cz

Committee on business-academic cooperation

Registration required
 10 a.m.–12 a.m.
 AmCham offices
 Dušní 10, Prague 1
 American chamber of commerce
 tel: 222 329 430
 registration@amcham.cz

Labor code committee

Draft amendment to the labor code
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 Tel: 220 103 491
 www.incheba.cz/pragomedica; www.incheba.cz/non-handicap

IBF, Shk Brno, Orbis invest

14th international building fair; 10th international trade fair for sanitation, heating, air-conditioning and building automation; investment opportunity forum, technology and equipment for towns and communities

April 21–25
 BVV Trade fairs
 Výstaviště 1
 Brno, South Moravia
 tel: 541 152 888
 www.bvv.cz/ibf;
 www.bvv.cz/shk;
 www.urbisinvest.cz

WEDNESDAY 22**Transition management: exchange of experiences**

Registration required
 9 a.m.–11 a.m.
 AmCham offices
 Dušní 10, Prague 1
 American chamber of commerce
 tel: 222 329 430
 registration@amcham.cz

La femme

Training for women in management positions
 Registration required
 April 22–24
 Spa Hotel Felicitas
 Nám. T.G. Masaryka
 14377/III, Poděbrady,
 Central Bohemia
 Top Vision
 tel: 234 718 777
 zc@topvision.cz

Communication**Wednesday**

Registration required
 5:30 p.m.–8 p.m.
 Andel's hotel
 Stroupežnického 21,
 Prague 5
 Tuesday Business Network
 tel: 296 202 211
 info@tuesday.cz

Future cities forum

How will cities look in the future? How are design considerations being taken into account?
 Registration required
 8 a.m.–7 p.m.
 BVV Trade fairs Brno
 Výstaviště 1, Brno
 British chamber of commerce
 tel: 224 835 161
 britcham@britcham.cz

THURSDAY 23**Business appearance for managers**

Seminar—registration required
 April 23–24
 9 a.m.–5 p.m.
 FČOK, building IBC
 (A2), 2nd floor
 Pobřeží 3, Prague 8
 Chambre de commerce franco-tchèque
 tel: 224 833 060
 formation@cctf-fcok.cz

Sustainable energy conference

Registration required
 Parliament and Mandarin Oriental,
 Nebovidska 459/1
 Prague 1
 Nordic chamber of commerce
 tel: 774 123 370
 info@nordicchamber.cz

Residential projects

Discussion meeting
 11 a.m.–1 p.m.
 Brno Exhibition grounds, Pávilon A,
 Hall Morava
 South Moravia
 Stavební fórum
 tel: 267 206 200
 redakce@stavebni-forum.cz

Mobile advertising what it is and where it goes

Seminar—registration required
 April 22–5:30 p.m.
 Chamber's Offices
 Praha City Centre
 Klimentůvská 46, Prague 1
 Canadian Chamber of Commerce
 tel: 225 000 345
 events@gocanada.cz

Flora Olomouc—Spring; Hortifarm

Spring version of the international horticultural exhibition and fair; small gardening machinery, gardening tools and equipment fair; Spring-time horticultural fair
 April 23–26
 Flora Olomouc
 Wolkerova 17
 Olomouc
 tel: 585 726 111
 www.flora-ol.cz

FRIDAY 24**GM Breakfast**

Small breakfast for general managers
 Registration required
 8 a.m.–9 a.m.
 Hotel Intercontinental
 Pařížská 30, Prague 1
 American chamber of commerce
 tel: 222 329 430
 registration@amcham.cz

GM breakfast in Ostrava

Registration required
 8 a.m.–9 a.m.
 MaMaison Hotel
 Imperial

Tyršova 6, Ostrava,
 Moravia-Silesia
 American chamber of commerce
 tel: 222 329 430
 registration@amcham.cz

Auto Prague, For men

13th exhibition of motoring; toys for big boys
 April 24–26
 Prague exhibition center
 Letňany
 Beranových 667
 Prague 9
 tel: 225 291 250
 www.autopraha.cz

SUNDAY 25**British day at the races 2009**

Registration required
 1:30 p.m.–6 p.m.
 Velká Chuchle
 Radotínská 69
 Prague 5
 British chamber of commerce
 tel: 224 835 161,
 info@britcham.cz

-jh-

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FEATURE



Courtesy of JobDays 2009

Czech labor market changes shape

After almost 15 years of positive growth, rising unemployment and the economic crisis are deeply reshaping the Czech labor market. With competition for stable and well-paid jobs increasing, Czech employees are changing their habits, and many people are starting to take their work more seriously, experts say.

BY SARA PRIM

Labor market observers agree that for the Czech labor market, the economic crisis is an opportunity to refresh itself. This was the view of the majority of exhibitors who met for the annual employment fair Jobdays 2009 in Prague. More than 120 companies competed to attract an increasingly changing work force and also try to offer specific job opportunities by educating jobseekers about how to successfully find their place in the current and dynamic employment market. The fair took place in a wide European framework, as all countries of the European Economic Agreement (EEA)—the EU-27 plus Norway,

Switzerland, Iceland and Lichtenstein—were represented.

Experts say that, with traditionally strong branches of the economy such as the automobile industry, building societies and the glass industry failing in the Czech Republic, new sectors are bursting into the labor market. Businesses related to ecological energy in particular are becoming new job generators and are proving themselves very efficient, Vera Kolmerová, who is head of the foreign employment unit of the Czech Ministry of Labor and Social Affairs (MPSV) and is responsible for the European job mobility portal EURES (European Employment Services) in the Czech Republic, told *CBW*.

The Czech job market was traditionally focused on industry, same as in many other Eastern members of the European Union such as Slovakia or Poland. But the situation is now different. “The labor market is changing, and now it’s time to move into new subjects such as Internet technology (IT) and software development,” said Markus Klos, director of employment portal *JobsInPrague.cz*, run by **European Telecom Consulting**.

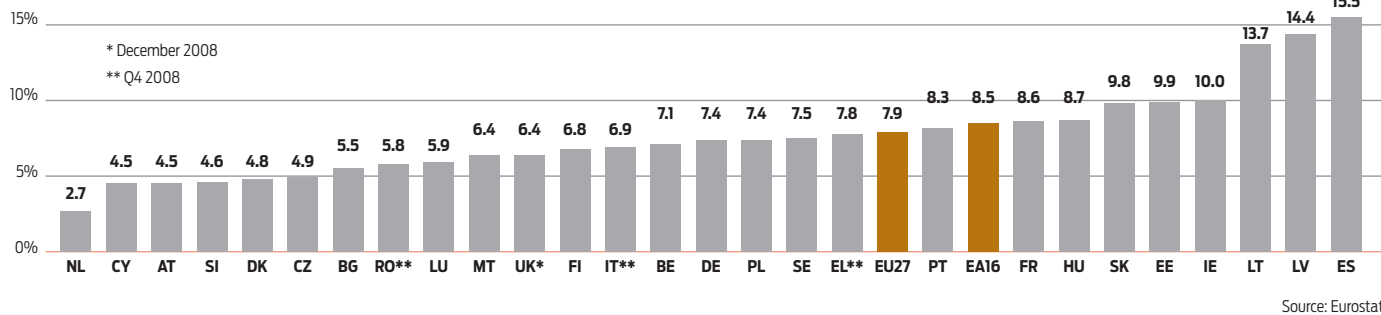
According to Martin Jánký, area manager with recruitment agency **Adecco** in the Czech Republic, Czech workers have a very limited experience in that field. “However, universities are aware of the market’s new requirements, so this kind of subject is becoming more important in the syllabus,” he said.

Companies have to do more to readapt to a changing market

Experts claim that in order to face the economic downturn, more changes are needed, for example within companies themselves. “Companies should take more responsibility for the people because they have to cover the bad times [as well] and not only be worried about making money, as it was in the good times. Maybe it is naive to think like this, but this might be an ideal attitude,” Klos said.

The economic crisis showed that some companies weren’t strong enough to face such a difficult situation. That’s why reorganization could be one of the keys for companies to relaunch themselves. “When the economy was really booming, we forgot a

Unemployment rates in February 2009, seasonally adjusted (in percent)



little bit to restructure the companies, so maybe there were people in positions for which they weren't completely suitable. Anyway, they kept them," Klos said. "Reorganization of some companies would be an interesting measure, especially now that the companies that haven't done it yet are being closed down. I really think this is a European Union common need, not only one concerning to the Czech Republic," he said.

Learning to take things seriously

The crisis is also reshaping the mentality of local Czech employees. Actually, jobseekers are now becoming more aware of what the economic situation requires from them and they are definitively changing their minds. "The generations that had one job for all their lives are coming to an end," Klos said, adding that jobseekers are getting more flexible and they feel able to change the job they were originally trained for.

Foreign companies keep betting on Czech labor skills

Large European employers such as the Austrian crystal producer **Swarovski** have recently announced changes in their work forces that the Czech labor market may benefit from. On April 9, the Austrian newspaper *Austrian Times* reported that the crystal producer could no longer ignore the current market conditions and had to outsource production. "We have to face Chinese and Egyptian competitors," Markus Langes-Swarovski, a spokesman for Swarovski, told *Austrian Times*. That's why they are going to lay off over 600 workers this year at their headquarters in Wattens, Austria. Another measure for safeguarding leadership and presence in the market is to open a new crystal plant in China, but they will also outsource a part of production to the Czech Republic, a country that has "a proven tradition in the glass industry and keeps its reputation in this branch," Langes-Swarovski said.

Also the attitude of people who are unemployed—over 5.1 percent in Czech Republic in March, less than in neighboring Poland where unemployment reached 8 percent, but more than in Austria, for instance—has changed due to the economic downturn, Kolmerová said. The percentage of passive unemployed is decreasing and people are getting more involved in the job seeking process. They are also getting more educated about how to successfully go through the selection process. "It is a complex task; it is not just checking the job vacancies in the newspaper. People are disposed to enlarge their operational range and retrain themselves," she said.

Moreover, according to Jánský, the economic crisis and growing unemployment are driving Czech workers to change their attitude toward the fact of having a job. "They feel lucky to be employed and this proves valuable for the Czech companies, as they don't need to contract foreign workers, and it is easier to keep everything legally arranged. The attitude for working is definitively changing," he said.

It is still a question for how long such an attitude will last. "The challenge is to keep this mood and [make sure that] Czech workers rely on temporary work as on a solid option, not only as on an emergency solution in times of economic downturn," Jánský said.

Kolmerová agreed and added that Czech workers are now more flexible in terms of work than they used to be, especially those with a lower profile. "They are trying to learn new professional skills, and they are willing to adapt to the present labor market," she said. "Temporary work is not only about having a job for a couple of months," she said. "Working days might change due to the economic crisis, and we should be able to adapt to a restructured working week."

Economic experts and the majority of Jobdays 2009 exhibitors agreed that this new attitude toward working is a good sign for both employers and employees which will bear fruits for the labor market on the medium and long term. "By maintaining

this mentality [change], we will enable employers to invest more on workers' development and take care of their career. It is going to have positive effects for workers, as well. They could expect more and better training provided from their companies," Jánský said.

Let's travel

Klos also argued that one of the mental approaches toward work is the availability to travel. "We mustn't stay fixed in our country," he said. "We should be able to travel where the jobs opportunities are. That's one of the main advantages of the EU, we can work abroad and we have to take benefit of having the same security systems, the same healthy systems. ... I hope it continues and it even increases in the next years," he said.

However, Kolmerová's view was not so optimistic. She argued that now it is a difficult moment for promoting the free movement of workers, as the economic downturn is affecting all the countries in the EU. However, free movement remains a basis of European Union philosophy, she said.

It is difficult to forecast if this disposition for working abroad will definitively install in the Czech workers mind, even when the crisis settles down. According to Klos, "being able to work in different countries is the best way for recollecting experiences and being able to deal with different job guidelines." He insists that working abroad doesn't mean melting away. "Each country has its specifics, and they should keep this, but we should strongly promote communication between countries and their businesses," he said.

"The Czech Republic can still offer qualified people in terms of technical work," Jánský said. "Our workers will prove valuable for medical purposes, as the level education in fields like research and development (R&D) is getting higher," he said. The European countries are aware of this refreshment of Czech workers skills. Now it is time for the Czech jobseekers themselves to be prepared to offer their capabilities to the rest of the continent. ■

FEATURE



Jakub Stadler

Human resources

People **over 50** face difficult job market

For people older than 50, it was not easy to find a job even before the crisis. Now, as the unemployment rate is rising, this demographic group is even more vulnerable. While many older job seekers are turned away for being overqualified or not fitting in with a “younger” management style, a few firms are making efforts to integrate older workers to ensure that important know-how is passed on.

BY KAMILA JUŠKOVÁ

“People over 50 are those mostly threatened among Czech employees by the current economic crisis,” Michael Kocáb, the minister for human rights and minorities, said in March. While in September 2008 some 92,880 people over 50 sought jobs, the figure rose to 103,063 in December 2008 and 118,939 in February 2009. “These figures are rather alarming,” Kocáb added.

In March total unemployment increased 7.7 percent, according to the Ministry of Labor and Social Affairs (MPSV). Currently in all age brackets combined, there are 448,900 job seekers, the highest number since February 2007.

According to Kateřina Kubešová, marketing manager from corporate training

firm **Expertis Praha**, the situation between 2004 and 2008 improved in the Czech Republic, thanks to several information campaigns and the media. **Expertis** has a program called the Third Career, which makes an overview of personal and business aspirations for employees over 50.

“The Third Career was completed in summer 2008 and met with great response. Then, however, the interest of firms in retraining courses and also on this whole issue began to diminish. Now, when [new statistics] are released, no one cares about employees over 50 that much,” Kubešová told *CBW*.

František Mika, president of nonprofit organization the Czech Society for Human Resource Development (ČSRLZ), agrees. “The approach of employers to persons over 50 is problematic and, in ad-

dition, it is not a highly discussed topic,” Mika said. ČSRLZ is an umbrella group of almost 300 organizations that was founded in 1993 to raise awareness of the staff management.

Kocáb said employers prefer to dismiss senior citizens in order to save money because these employees often receive higher wages after being employed for a long time. The Czech Republic is the only country in the European Union that has not passed an anti-discrimination bill, even though it pledged to pass one on EU accession in 2004. The law could help significantly to prevent discrimination of older job applicants. The Czech Parliament passed the bill, but President Václav Klaus vetoed it last May. If the country fails to fulfill its commitment and pass the anti-discrimination bill, it could face a possible fine from the European Commission.

Kocáb, supported by Ombudsman Otakar Motejl, addressed all deputies in the lower house in writing, calling for the lower house to override the veto.

Young managers' trend

An Organization for Economic Co-operation and Development (OECD) study called *On the Situation of Older Workers in the Labor Market in the Czech Republic* notes that currently for every 100 Czechs in the productive age bracket between 20 and 64 years of age, there are 55 “dependent” people who are either older than 65 years or younger than 20. This ratio, however, is changing so that in the future for every 100 productive people there will be 105 dependents. Finding a job for the elderly and allowing work for those who want it is the OECD recommendation for the Czech Republic.

But there are complications, as work patterns and expectations have changed. According to a study on workers over 50 made for *Expertis' Third Career* program, in Czech companies there was an interruption of continual development due to historical events, and a big age gap has arisen. Most people age 50 and older grew up during socialism. Their previously acquired experience and skills are no longer sufficient, and there is a need for them to learn new knowledge and modern technologies.

This study also stated that employers have never learned how to work efficiently with this group, and there are no systems established for working with older employees. The trend of “young managers,” where younger people supervise older ones, raises intergenerational tensions and misunderstanding.

“Employers believe that the corporate culture, personnel policies, procedures and processes are, in terms of age, set in a neutral nondiscriminatory manner. ... They claim that they do not give preference to any age groups. In practice, however, de-

viations were found, particularly in the recruitment process and releasing," the study said.

Too much experience

The stumbling blocks are not just that older people have knowledge gaps with computers, foreign languages and other skills. Older job seekers often meet the requirements for the position and can even have better qualifications. "Every time I was told that I am overqualified, or do not meet the required profile," a 55-year-old man who has been seeking a job in the financial sector for two years told *CBW*. "Even though I was more qualified than other candidates or even than the boss ... I failed [to get the job]," he said, adding that possibly the boss felt threatened by someone with more experience.

ČSRLZ's Mika said that the most problematic situation is in lower middle and middle management. Applicants have knowledge and experience, but the potential new employer often cannot predict the degree of flexibility and comes to a conclusion based on stereotypes. "Then it can easily happen that anyone from the 50-plus category falls into the box 'overqualified' or 'little flexibility' because the employer cannot work with this category and take advantage of its potential," he said. In his experience,

Age breakdown of job seekers

	Total	Number of women
Applicants - total	448,912	216,988
Age	448912	216988
to 19 yrs	20,371	8,979
20-24 yrs	59,207	23,778
25-29 yrs	50,571	21,791
30-34 yrs	54,609	28,487
35-39 yrs	48,679	27,432
40-44 yrs	45,811	25,381
45-49 yrs	45,599	24,791
50-54 yrs	59,068	32,307
55-59 yrs	53,623	23,069
60-64 yrs	11,192	896
over 65 yrs	182	77
Average age	39.4	39.5

Source: Ministry of Labor and Social Affairs

the biggest problem is stereotypes about the different groups.

"Younger staff may also have the impression that a member of the younger generation does things differently and does not believe that an older colleague would be willing to adopt his methods of work," Mika said.

"Sometimes it becomes a myth that the company thinks that it will have to pay more for a qualified, older person than for graduates. Price of labor also plays its role," Yveta Charouzová, a member of ČSRLZ and managing director of **Talent Management Center International**, told *CBW*.

Firms with positive approach

Fortunately, in the Czech Republic, many companies have a positive approach toward employing people over 50. Some of them have directly introduced special programs for the integration of older and younger workers, so that these groups have a positive influence on each other.

Such a program was, for example, launched by energy grid operator **ČEPS**. "We have a large number of employees over 50. Now, we want to start a project for the transmission of know-how, in which we get graduates and experienced older staff, together," said David Collins from the firm's HR department. The company cannot afford to exclude employees on the basis of age because qualified personnel with high expertise in the field are crucial for its functioning.

Similar programs have also been launched by carmaker **Škoda Auto**, energy producer **ČEZ** and vehicle part maker **TI Automotive AC**. ■

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State Aid in the Context of the Current Financial Crisis



Ivo Janda

Magda Olyšarová

Such actions and packages can increase protectionism and may run afoul of State aid regulation. This problem is most immanent in the EU, whose national markets are merged into the 'common market', which is guarded by sophisticated State aid control and enforcement. To enable the Member States to address the crisis in a timely and effective manner, the European Commission has issued several pieces of legislation that outline the basic principles of State aid assessment and procedure that need to be observed by programs and individual support measures for those sectors and institutions which are worst hit by the crisis.

Fiscal Stimulus Plans

In December of last year, the European Council approved a European Economic Recovery Plan, which called upon Member States to coordinate their efforts and invest some EUR 170 billion (1.2% EU GDP) into the real economy. Interventions by the Member States should be accompanied by a further EUR 30 billion package (that is 0.3% of the EU GDP) from the EU budget and from the European Investment Bank. This recovery plan is aimed at supporting aggregate demand, promoting increases in efficiency and innovation, and mitigating the human costs of the economic slowdown.

The vast majority of Member States have committed to pump huge amounts into their economies to stimulate them. The magnitude of this aid can be illustrated by statistics published by the European Central Bank. Germany, for instance, adopted a stimulus package amounting to 1.3% of its GDP in the fall of 2008 and has recently announced another package equiv-

alent to about 2% GDP. The French government announced a package of measures amounting to 1.5% GDP, which is to be further intensified by additional fiscal measures in the volume of 0.4% of the French GDP, covering, among other areas, support measures for the car industry.

State Aid Assessment

Any economic advantage that is selectively bestowed upon undertakings from public resources and that has at least a potential effect on trade among Member States constitutes State aid and, as such, is principally prohibited. State aid may comprise a broad variety of measures, such as loans granted below market price, state guarantees, tax breaks or deferrals, capital injections or property sales below market price. The EC Treaty provides for certain exemptions from the general prohibition of State aid, which are further elaborated in a vast body of secondary legislation. State aid control is based on ex ante authorization by the Commission, which assesses whether the aid is compatible with the common market.

Support measures that meet the features of State aid as outlined above may not be implemented without the prior approval of the Commission.

Modification of State Aid Rules

In order to adjust State aid regulation to the extraordinary market conditions that currently prevail, the Commission issued four communications that modify the framework of State aid control during the financial crisis. These rules are only temporarily applicable and are set to expire at the end of 2010, but the door is open for an extension beyond this deadline, if necessary.

General Framework for Aid to Financial Sector

In its "Communication on the Application of State Aid Rules to Measures Taken in relation to Financial Institutions in the Context of the Current Global Financial Crisis" of October 13, 2008, the Commission provides initial guidelines on how Member States should design their support measures for the financial sector so that they comply with State aid regulations. Principally, aid may be granted as a facet of a general scheme, or in the form of ad hoc support granted to individual financial institutions. General support schemes may be cleared by the Commission under the exemption set out in Article 87(3)(b) of the EC Treaty, as aid provided to remedy serious disturbances in the economy of a Member State, whereas individual assistance for financial institutions is assessed under rules similar to the classic regime of rescue and restructuring aid (rescue aid followed by a restructuring plan).

In its assessment of any particular measures, the Commission will let itself be guided by the following requirements: (i) the aid should ensure the long-term viability of the financial institution in question, (ii) aid should be kept to a minimum, with substantial private participation in the costs of restructuring, and (iii) any undue distortion of competition and unjustified benefits derived from guarantees must be prevented. The Commission has also promised to approve measures that are designed along the lines of the above-described communication very quickly, even within 24 hours or over the weekend.

The communication addresses general support schemes, which comprise (i) state guarantees, (ii) capital injections, (iii) the controlled winding-up of financial institutions, and (iv) other forms of liquidity assistance.

Guarantees may include retail deposits, but even wholesale deposits and short-term or medium-term lending. Beneficiaries are required to pay sufficient remuneration and, if the guarantee is triggered, beneficiaries should at least cover a substantial part of the outstanding liabilities. Where guarantee schemes are granted to individual financial institutions, it must be followed up by restructuring or liquidation measures.

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Rules for Recapitalization of Financial Institutions

Principles of recapitalization were further elaborated upon in the Commission's "Communication on the Recapitalization of Financial Institutions in the Current Financial Crisis" of December 5, 2008, in which the Commission underscored the necessity to differentiate between beneficiaries based on their risk profile. Its philosophy is that banks with a higher profile should pay more for the capital than those banks that are fundamentally sound, but which suffer due to the lack of liquidity on the financial markets. The minimum amount of remuneration should be calculated in accordance with the recommendations published by the European Central Bank, while the concrete amount of remuneration depends on the type of capital, individual risk profile, and the level of safeguards. The recapitalization can only be temporary; Member States are required to apply incentives encouraging the redemption of State capital. Recapitalization of fundamentally sound banks does not trigger an obligation to file a restructuring plan.

On the other hand, banks which are not fundamentally sound are subject to stricter rules. Except for the higher remuneration, recapitalization must be accompanied either by a winding-up, or a thorough and far-reaching restructuring. The liquidation or restructuring plan must be submitted within 6 months following the recapitalization.

Treatment of Impaired Banking Assets

In addition to the above two sets of guidelines, the Commission issued on February 25, 2009, the "Communication on the Treatment of Impaired Assets in the Community Banking Sector". The Commission is striving to establish a common framework for the treatment of toxic assets on the balance sheets of financial institutions. According to the Commission, the recapitalization has so far had only a limited impact, as the banks have used a substantial portion of the capital to make provisions against possible losses from toxic assets. Clear methodology for the valuation and treatment of impaired assets should enable the banks to increase the funds available

for lending. Member States may choose the most appropriate model for the asset relief scheme, be it asset purchases, an insurance scheme, restructuring or nationalization. Commission approval for the asset relief measures will be granted for a period of six months and will be conditional upon a commitment to present details of the valuation of the impaired assets, as well as the viability of the assessment and restructuring plan for each beneficiary accessing to the asset relief program.

Amendments to Horizontal Rules

Finally, on December 17, 2008, the Commission issued the "Communication on the Temporary Community Framework for State Aid Measures to Support Access to Financing in the Current Financial and Economic Crisis". This communication comprises a set of horizontal measures that go beyond the financial sector; the goal is to ensure sufficient bank lending, temporary grants for companies with liquidity problems, and support for investment.

The communication temporarily loosens the conditions under which Member States can grant subsidized loans, loan guarantees at a reduced premium, risk capital for SMEs and direct aid up to EUR 500,000 to individual companies. Any scheme designed in accordance with the communication must be approved by the Commission; individual aid that is granted under already approved schemes can then be granted freely. Support should not be made available to companies which were already in difficulties before July 1, 2008, the date which has been identified by the Commission as marking the beginning of the financial crisis.

Unlike de minimis aid, which can be granted freely, i.e. without notification, direct aid up to EUR 500,000 can only be provided under a general scheme approved by the Commission. The Czech Competition Office is coordinating the notification of a general scheme for such aid.

Conclusion

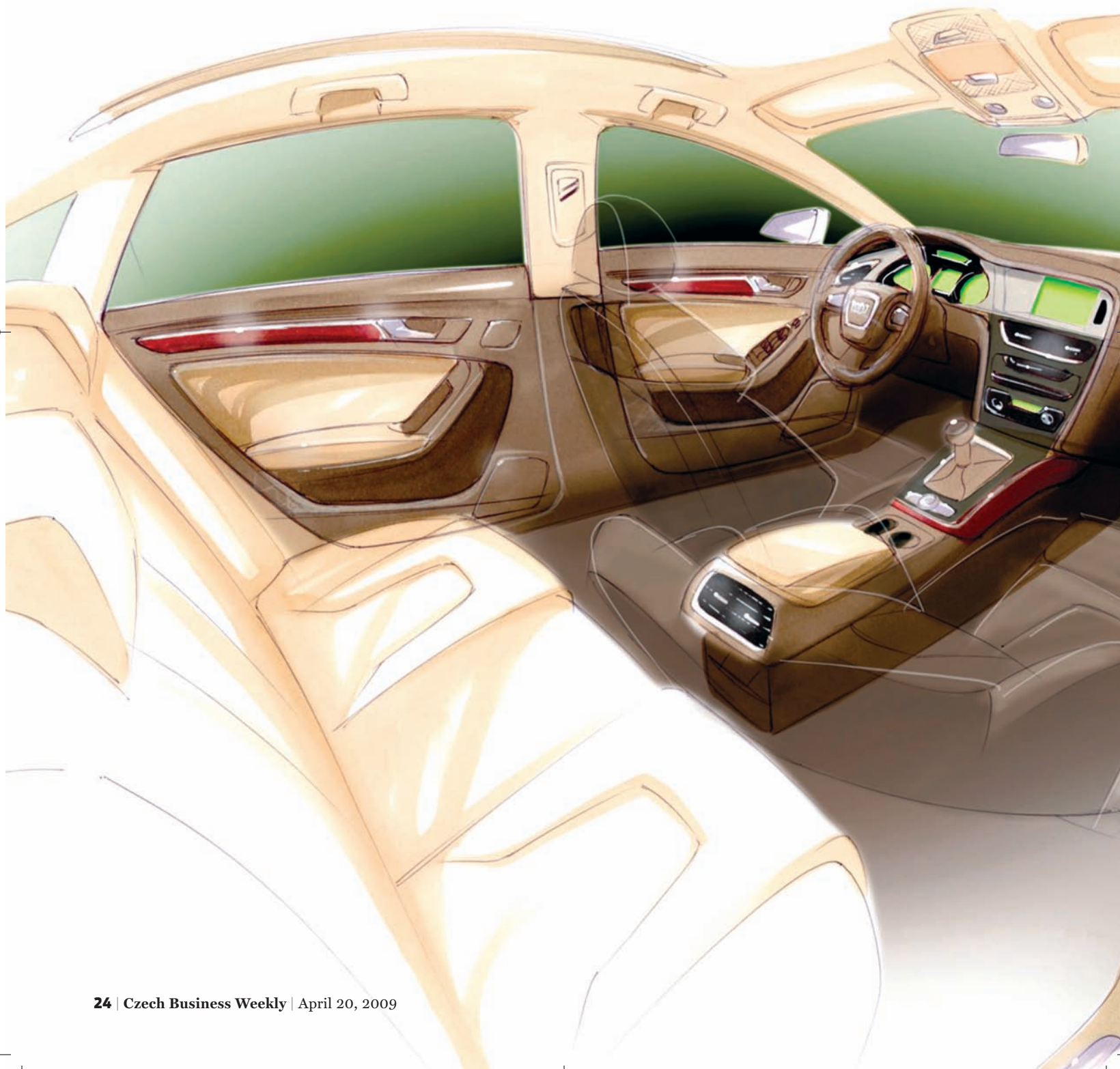
It is still too early to assess how effective the various fiscal stimulus plans are, but the Member States should obviously approach the crisis in a coordinated manner and avoid dangerous protectionism, and State aid control provides the Commission with a strong tool to ensure that they heed this advice. Consequently, the Commission should apply the State aid rules consistently and systematically, so as to minimize the adverse impact of state intervention on the common market. ■

*Ivo Janda and Magda Olyšarová,
White & Case, Association of Advocates.*

AUTOMOTIVE

THE STORY

Parts suppliers feel the



pinch

Bankruptcies and forced restructurings are starting to hit the Czech automotive sector. In the past months, several first and second tier suppliers with operations in the Czech Republic have gone into bankruptcy.

BY LYLE FRINK

“It’s a difficult—but not bad—time,” said Helena Schindelarzova, financial director of the **Wagon Automotive** plant in Bělá pod Bezdězem, Central Bohemia. The Bělá plant is part of the UK-based **Wagon Automotive Limited**. The group, with manufacturing plants scattered throughout the UK, Germany, and the Czech Republic, collapsed late last year after failing to get a needed financing package from banks.

So far, the bankruptcy has had a minimal impact on operations at the Bělá plant. “It doesn’t affect us, we are still producing,” Schindelarzova said.

One-third of the plant’s production of pressed steel parts and toolings that are shipped to **Škoda Auto**, which has a plant in Mladá Boleslav, Central Bohemia. Other components go to the **Toyota Peugeot Citroën Automobile Czech** (TPCA) plant in Kolín, Central Bohemia. She said the plant is expected to be sold by the end of April.

Plant management could be preparing to buy the plant, if they follow the example of sister operations in Germany. Managers of the three Germany-based Wagon Automotive plants are buying plants in Nagold, Ingolstadt, and Waldaschaff, according to trade journal *Automotive News Europe*.

Some doors are closing

The recession, however, is already closing some plant operations in the Czech Republic. **Automotive Components Czech**, a locally owned supplier in Rapotín in the Olomouc region, is in liquidation. **BTV Plast** is closing its operations in Havlíčkův Brod, East Bohemia, and relocating production to a sister company. The Germany-based **Grammer AG** is to close its **Grammer CZ** plant in Horaždovice, West Bohemia, later this year. The factory primarily makes headrests and armrests for **Volkswagen** subsidiary **Audi**.

The global recession and drop in car consumption is the primary problem. “The ma-

ior fall in demand is the most important cause,” said Ladislav Glogar, general manager of industry organization Moravian-Silesian Automotive Cluster and former head of car light and air-conditioner maker **Visteon-Autopal**’s operations in Nový Jičín.

The secondary issue is financing and liquidity, as the downturn has positioned banks as the potential executioners of struggling suppliers. “Supplier businesses will have to take a rational step back. Otherwise it’s up to the banks,” said Tomáš Novák, head lawyer at the Prague office of **Bird & Bird**.

For the country’s suppliers, bankruptcy may simply mean a change of ownership and the name over the factory gate—not a shut down of operations.

Cadence Innovation, a supplier with production in Liberec, North Bohemia, and Nymburk, Central Bohemia, is a two-time example of this. The American-owned supplier was called Peguform Bohemia when it was part of now-bankrupt Venture Industries. The company was renamed Cadence Innovation in 2005 following its acquisition by a U.S.-based investor group. Despite the turmoil of bankruptcy, its Nymburk plant secured the contract to make painted bumper fascia for the TPCA plant during this time, according to firm management.

Now ownership is changing again. The American operations of Cadence filed for bankruptcy protection in August 2008 and

the European operations were put on the market. This April, the Canadian firm **Magna International** notified the EU it intends to take over the Czech operations of Cadence Innovation. According to the company office in Liberec, it has not been decided yet if the company will be renamed.

The impact on Czech operations of bankruptcies and forced restructurings has a tremendous range. Wagon Automotive, a European supplier with operations across Europe is being split up. Some suppliers, like Automotive Components Czech, are in liquidation. Others, like **Delphi**, a U.S.-based supplier with extensive operations in the region, carry on op- ➤



Ladislav Glogar

Courtesy of Audi

THE STORY

erations as usual under Chapter 11 American bankruptcy protection, which allows for continued work while protecting a firm from creditors. Some suppliers, despite the tough times, have stepped out of bankruptcy proceedings and returned to business as usual. One example of this is **Dura Automotive Systems CZ**, an American supplier with operations next to the **Tatra** plant in Koprivnice, North Moravia.

More important than you think

Automotive suppliers are a large portion of Czech industry. While production cutbacks at automakers like Škoda Automotive, TPCA or the new **Hyundai Motor Manufacturing Czech** plant in Nošovice, North Moravia, make the headlines, the supplier sector is where most of the jobs are.

The automotive sector has several production layers. Manufacturers of complete cars such as Škoda and TPCA are called original equipment manufacturers (OEMs). Suppliers sending parts directly to the automakers are called tier one suppliers and, in turn, their suppliers are called tier two.



According to 2007 data from industry association Czech Automotive Industry Association (SAP), 72 percent of the 120,000 workers in the automotive industry worked at 121 supplier companies. Only around a quarter worked at OEMs like Škoda and TPCA.

The 121 supplier members of SAP do far more than make components for local automakers in Mladá Boleslav, Kolín, and

Nošovice. “Škoda is the entry point, the benchmark,” Novak said. “The **Bosch [Diesel]** operations in Jihlava [Vysočina region] make common rail diesel components for all automakers.” The Visteon plant in Nový Jičín makes lighting systems for **Ford Motor Company** operations throughout Europe. Looking at customer lists, it is hard to find a European au-

Car sales down across CEE region

Sales of new passenger cars in the Czech Republic fell by 5.9 percent to 31,075 in the first quarter of 2009, with the biggest 12 percent decrease seen in January, while in March the sales were nearly 1 percent higher than last year, the Car Importers Association (SDA) announced earlier in April.

Sales of light utility vehicles (LUVs) sank by two-fifths to 9,209 units in Q1.

The decrease in sales in both categories was caused mainly by lower demand of corporate clients who were waiting for the possibility to deduct VAT on passenger cars as of April 1, said SDA director Pavel Tunkl.

Companies contributed 28 percent to car sales in the first quarter, but only roughly one-fifth in March.

In the first quarter of last year, their share stood at 42 percent. The share of sold passenger cars with gasoline engines grew by 4 percentage points year on year to 75 percent.

Automotive Industry Association (SAP) director Antonín Šípek said this year's sales of cars and light utility vehicles could end at last year's level.

“With the introduction of VAT (value-added tax) deduction on passenger cars, the situation should return to normal this year. Part of demand for light utility vehicles will move back to the passenger cars category,” he said.

Škoda Auto with 8,512 units sold was the top-selling car in the period, followed by **Ford Motor Company** (2,953) and **Renault** (2,093).

Škoda is also number one among LUVs with 2,043 vehicles sold. **Volkswagen** ranked second with 1,294 and **Ford** third with 796 units sold.

Škoda Auto saw a 19 percent fall in the passenger cars category and a 46 percent decline in the light

utility vehicles category. Its share in the passenger car market dropped 4 percentage points to 27 percent.

Used cars imports sank by 45 percent year on year to 29,716 units in the first quarter. The decline was caused in particular by the introduction of a fee for the first registration of older cars that do not meet environmental standards, as well as by massive falls in prices at which car dealers are selling new cars.

Truck sales declined by 47.5 percent to 1,334 units. Mercedes Benz with 361 trucks sold placed second in this category, trailed by **MAN** with 218 and **Iveco** with 216 trucks.

Interest in new buses grew by 6 percent to 222 sold busses. Demand for motorcycles dropped nearly 15 percent to 3,411 units. **Yamaha Motor Company Limited** with 275 sold motorcycles ranked first, followed by **Honda Motor Company, Ltd.** (254) and **Suzuki Motor Corporation** (247).

The downturn in the auto sector has also hit Slovakia, where automotive industry output dropped by 5.4 percent on the year to €19.72 billion due to crisis last year, following a long-lasting growth, the Slovak Automotive Industry Association (ZAP SR) announced.

At the same time, the share of the strongest industry in the overall industrial production of Slovakia decreased to 32.84 percent last year from 35.24 percent in 2007.



Courtesy of Škoda Auto



Courtesy of Audi, Citroën

tomaker that is not supplied in some way with Czech-made components.

According to SAP reports, Czech suppliers export around 80 percent of their production. This means that production stoppages at Ford plants in Germany or **Land Rover** plants in the UK can and does have a direct impact on production and jobs at Czech suppliers.

Despite the fall last year, the car industry has positive outlooks for the future, especially in the supply of car parts, ZAP SR president Jozef Uhrík said.

"The growth of the automotive industry has all the prerequisites to expand from Slovakia further to the East, where a whole series of new capacities is being built. This is a chance for us, for subcontractors and also for the whole infrastructure of our car industry," Uhrík said.

Carmakers Volkswagen, **PSA Peugeot Citroën** and **Kia Motors** together produced a record number of cars last year, totaling 575,776, up from 571,071 units in 2007.

Together with car production, the production of car parts decreased in the country as well, falling to €9.01 billion at the end of 2008 from €9.3 billion in 2007.

Car and car part producers export most of their production. Car industry exports sank by 5.3 percent to €17.73 billion in 2008. The automotive industry, which was the main engine of Slovak economy, has been hit most by the current economic crisis. Some estimates say the Slovak economy will sink into recession this year.

Sales of new cars in Hungary in the first quarter of this year fell 33.1 percent on the year to 27,229 cars, according to the Association of Hungarian Car Importers (MGE). The association warned that the sale of new cars could fall by up to 50 percent this year.

"We expect the sale of (between 85,000 and 90,000) units this year, which would be an almost 50 percent fall," MGE head Gábor Gyözö told news agency Reuters. Last year, sales hit 158,600 units. The forecast takes austerity measures by the new Hungarian government into account (see *Region*, page 43). ■

—ČTK—

The foreign connection

The Czech supplier industry is dominated by foreign, not local, players. This is a result of privatization, the global nature of the automotive business, and the massive growth in the sector in the past two decades.

During privatization, most major suppliers were sold to international suppliers. Autopal became part of U.S.-based **Visteon** and Germany-based **Robert Bosch** massively expanded the diesel engine component plant in České Budějovice, South Bohemia.

Ahead of the 1996 launch of the Škoda Octavia, Volkswagen brought in an array of primarily German suppliers to the region around Mladá Boleslav. In addition, the start of the TPCA plant in Kolin came with an array of Japanese suppliers and the start of the Hyundai plant also came with its own assortment of South Korean-owned suppliers. In short, the automotive supplier business, especially for tier one companies, is dominated by branches of international suppliers.

Czech operations owned by large international suppliers are in the shallow end of the cash pool. With a cash pool, the money flows to and from the center of the organization, a logical step for global operations. The disadvantage is that most international suppliers are based in locations where the car market is in much worse shape than in the Czech Republic, for example the U.S.

Your business is next

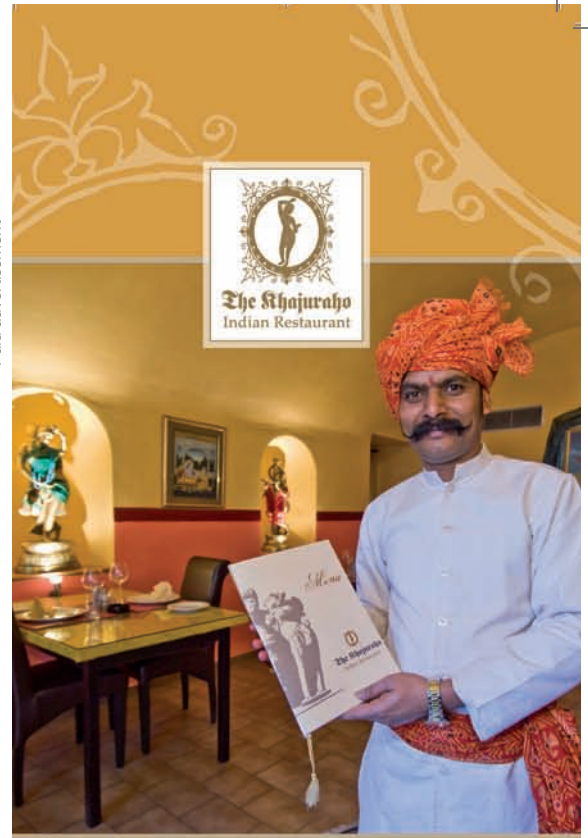
"It's not good, but conditions are more stable now," Glogar said, adding that it is better than in the third and fourth quarters of 2008. Now, after the huge reductions there are not so many dramatic conditions.

For suppliers, it is a harsh wake-up call to move beyond their dependency on automotive parts. "They need to diversify with their production and know-how," Novák said. "It's time for strategic planning and specialization—not everything is least-cost."

The danger for Czechs is to think that the problems in the automotive sector are just that—a problem for someone else. This is wrong in two counts. First, the automotive sector is such a large part of the Czech economy that there will inevitably be trickle-down impacts on other areas of the economy as the number of unemployed grows and workers spend less as they are faced with the economic uncertainty.

Second, the automotive sector was hit hard because it is so competitive and responsive to falling demand. Producers quickly slashed production to avoid huge stockpiles of components and unsold cars. "The automotive sector is very fast. You could see it immediately," Glogar said. "But big reductions will come to other sectors." ■

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ON THE RECORD

Czech economy

ready for challenging

environment



Martin Siebert

Miroslav Singer, vice governor of the Czech National Bank (ČNB), is confident about the stability of Czech economy and financial sector in the face of global financial crisis. He points out the liberal economic policies, responsible fiscal policies, low interest rates and efficient banking system as backbones of the Czech economy's long-term prosperity. In the short run, however, it suffers from a decline in foreign demand for its products. For the global financial arena, he suggests a visible strengthening of financial market supervisory bodies.

BY ANNA SIECZKOS

Singer points out the fragmented supervision of financial institutions in the U.S. and UK, which allowed banks to take excessive risks, as the major culprit behind the current financial crisis. He calls for the establishment of more consolidated financial market authorities to avoid future crisis in global financial institutions. Meanwhile, he appreciates the active and intensive policies of global central banks aimed at avoiding two major threats to global economic growth—risks of deflation and illiquid financial system.

According to Singer, Czech banks are in a uniquely stable position. He attributes it to conservative financing policies, a stable flow of fees and commissions, and low operational costs. He identifies the credit risk of exporters hurt by falling external demand and hedging losses. Simultaneously, he provides data indicating the limited scope of that threat. Singer remarks that the current crisis highlights the effects of differences in economic policies introduced in selected Central and Eastern Europe (CEE) countries in the last two decades. He contrasts the “social” Hungary, which today relies on the International Monetary Fund (IMF) help to avoid bankruptcy and the “pro-market,” stable Czech Republic, where even an unexpected change of government doesn't undermine investors confidence.

He specifically emphasizes the relatively limited impact of Czech crown volatility due to moderate exposure of households and enterprises to debt in foreign currencies. What is rather rare for central bankers, he praises the government for reasonable fiscal policies. Consequently, the central bank also feels confident about the future as the stable economy and financial system enhances the available scope of actions against a potential external shock. He said he doesn't believe that the quick adoption of euro would lessen the effects

of the crisis and is skeptical about the short term effect of the euro on Slovak economy. He considers a healthy fiscal position and flexible and efficient labor market as major prerequisites before adoption of the euro.

Q: How do you assess the efforts of the major central banks in fighting the ongoing financial crisis?

A: The whole Western financial system has been under heavy pressure for some time already. The evaporating liquidity stemming from increased risk aversion leads financial institutions collectively to a dire financial situation that could result in deflation. Therefore, central banks and governments are trying to improve the situation and help the economies. Today we are very close to the limits of conventional monetary policy both in the U.S. and the eurozone. The sizes of the balance sheets of both central banks are at record heights. Therefore the risk of deflation is being fought using several unconventional tools, primarily so-called ‘quantitative easing.’ This situation has drawbacks. Once the economies are back on the growth track, inflation can accelerate very quickly due to a rapid increase in money supply. The proper scale and timing of the monetary actions will therefore be crucial to the development of the global economy in the next several years. For countries in our region the biggest problem today is financing foreign debt. The huge supply of U.S. and eurozone government bonds and government guaranteed debt is effectively crowding out demand for papers of emerging market debtors like the Czech Republic or Hungary.

Q: How is the Czech banking sector performing under those strenuous global financial conditions?

A: The majority of Czech banks are not experiencing such problems with liquidity as some Western banks. First of all, the biggest lenders have been holding relatively safe liquidity positions resulting in a low ratio of loans to deposits. Therefore, they

don't rely on short-term financing from the international banking system. The medium-size players, who were more aggressive in their credit expansion in recent years, are feeling the strain of reduced wholesale financing. They are, however, able to improve their balance sheets by improving the retail deposit offer, and they are doing so.

Q: In your view, what are the most probable scenarios for the future? Which risk factors are most monitored by the ČNB?

A: We have been carefully observing the increased fluctuations of major currencies against the crown. We believe it is a consequence of increased risk aversion of global investors. Any excessively rapid major swing in the currency exchange rate can have serious effects on an open economy like the Czech one. Fortunately and contrary to the situation of some of our colleagues, we have substantial space for the use of conventional tools if such a dramatic movement occurs. Still, the most important factor driving the Czech economy is the health of the developed economies, which we obviously cannot influence.

Q: Does the current parliamentary crisis have a serious impact on the financial markets?

A: I do not expect the dismissal of government of Prime Minister Mirek Topolánek to weigh negatively on the Czech currency or interest rates. First of all, the long-term fundamentals of the economy have not changed. Financial markets do not to such an extent follow political swings. Moreover, there is widespread confidence that the early elections will soon bring a new stable government and the interim government will not undertake any risky measures in the meantime.

Q: Do you think that the global economic crisis was partly responsible for the fall of the Czech government?

A: I don't think so. The major reason behind the nonconfidence vote was the weak and fragmented coalition which has been unstable for several years already. Moreover, due to the structure of the Czech political system, requiring coalitions to form a government, the political decisions are always a form of a balanced compromise and therefore cannot quickly impact the economy in either a positive or a negative way.

Q: Can the new government become more enthusiastic about introduction of euro in Czech Republic?

A: Honestly speaking I don't see any clear mandate from the society to dramatically change the current policy about the adoption of the common currency. Obviously the unprecedented volatility in the exchange rate and the economic slowdown visibly ►

ON THE RECORD

increased the sentiment toward the earlier adoption of euro among some politicians, entrepreneurs and economists. Other countries of the region have also become more enthusiastic about it.

On the other hand, the same economic factors decreased the likelihood of successful fulfillment of entry criteria. Today we face deterioration of fiscal balances, volatile inflation and interest rates. I do not think that accelerated introduction of the European single currency is a viable and reasonable idea.

Q: Can the experiences of Slovakia already teach us something about the correct approach to euro introduction?

A: Slovaks were fortunate to introduce the euro early this year as the previous two years were one of the most suitable periods to fulfill the Maastricht criteria. On the other hand, due to the 'easiness' of those two years they introduced the single currency at a relatively high exchange rate. I expect that in the short run this exchange rate will have an adverse influence on the Slovak economy. The recent macro data seem to be already confirming that. It seems that GDP (gross domestic product) growth in Slovakia has been decelerating much more quickly than in the Czech Republic on the back of falling industrial production. Moreover, the inflation rate there is also higher. In the previous several years the Slovak economy, spurred by pro-market reforms, overtook the Czech one by 3-4 percentage points annually. Today it seems to be reversing. Those figures obviously encompass too short an observation period to say anything definite about the impact of the euro on the Slovak economy.

Q: When would it be possible to draw conclusions from the Slovak experiences?

A: We need to wait at least several years to make the first assessments of the impact of the new currency on Slovak business and society. However, I believe that this will not have a very significant influence on the decision making process of the Czech government. After all, the single currency is much more a political decision rather than an economic one.

Q: When would it be advantageous for Czech Republic to enter the eurozone?

A: We have always considered two issues talking about euro adoption, the need for a limited structural fiscal deficit and a good situation on the labor market. The budget deficit unfortunately can be high for the next several years due to the government's anti-crisis package. The labor market seems to have changed slightly for the better, but it will react to the crisis measures now, and we cannot be sure how. The rap-

id adoption of the euro could therefore be risky today. So far we have hardly taken into account the foreign exchange rate risk during the ERM II period, in which we must limit the fluctuations. The recent experiences will probably lead us to revisit the major decision factors behind the change of currency. *Editor's note: Countries must spend two years in the European Exchange Rate Mechanism (ERM II) and fulfill all criteria before adopting the euro.*

Q: The Czech crown despite its relative volatility has been behaving much more stable than Polish zloty or Hungarian forint.

A: I do not think this is a problem for Poland. International trade plays a relatively smaller role in the Polish economy; therefore the impact of currency depreciation could be quite muted. Even the fall in the value of the zloty against the euro in excess of 30 percent doesn't have to visibly increase inflation. The Hungarian economy, however, relies on foreign trade much more than Poland. Therefore the currency swings were very painful. To make matters worse, Hungarian households and enterprises borrowed money in foreign currencies, which make them extremely averse toward potential devaluation of the local currency.

Q: What were the major structural reasons behind the relative resilience of Czech economy compared with its regional peers?

A: The source of our strength is competitive industrial export. Looking for the causes of this competitiveness, we need to go back to the early 1990s when we made deep structural reforms creating a relatively free market economy. Czech entrepreneurs and governments learned that they will not get state aid or the buffer of regular currency devaluation and the only way to prosperity is increased efficiency. This policy was coupled with responsible fiscal and monetary policies. Today we are reaping the benefits of that entrepreneurial spirit and fiscal prudence.

Q: How would you comment on the economic transition in Poland and Hungary?

A: The initial stage of both processes were similar and were based on quick privatization via bankruptcy of state-owned enterprises. Later, the Hungarian governments were not able or willing to follow those pro-market reforms with reasonable fiscal policies. Consequently the Hungarian economy was burdened with persistent fiscal instability in the following years. Excessive state spending brought this economy to its knees. We can say that Hungary is a victim of populist election promises that were put into reality.

Q: What are the expectations of the ČNB toward the fiscal policies of the new government?

A: We believe that the strong track record of conservative and responsible fiscal policies will continue, despite the ongoing economic crisis. Obviously we take into account an increase in the fiscal deficit via the so-called automatic fiscal stabilizers, acting as a beneficial counterbalance to diminishing private spending. The difficult international lending conditions can have a positive impact by motivating the government to limit the deficit and as such preventing any policy change to longer-term unsustainable budget deficits.

Q: What are the major risks for inflation forecasts?

A: The exchange rate plays a crucial role. Among other factors, commodity prices and long-term economic growth prospects are the most important ones.

Q: Many analysts blame corporate governance in companies and complicated risk models as culprits of the crisis. Do you agree?

A: I think that a failure of the oversight of financial institutions was a more important factor in developed countries than corporate governance. In Western countries the supervision of financial institutions was split between several institutions. As none of them could adopt a comprehensive view, responsibility was blurred and consequently they were very lenient toward the lenders. The banks took advantage of that by getting involved in high risk transactions on the basis of the unfortunately correct assumption that if they fail they will be saved by the governments. As far as risk assessment models are concerned, I also dare to disagree. First of all, they are not very complicated, let's not exaggerate it. The real problem is in the lenient requirements of the regulators. In fact, I am ready to say that the supervisory bodies in some European capitals, Washington and London backed down under pressure from industrial players during the good economic times. Stringent rules governing bank activity act as a brake on short-term economic expansion.

The industry's rationale was, therefore, to support national industry by relaxing the standards, which was difficult to reject for politicians and market supervisors. Currently, emergency measures are being introduced to heal the problems resulting from excessive lending. It all happens at the expense of the taxpayers and the global economy.

Q: What can be done to avoid this kind of risk?

A: We think supervision requires a general overhaul eliminating those risks. I believe

that financial institutions' supervisory authorities require consolidation of power and strongest independence from political pressure at the national level. We believe that the status of a central bank is a good template to follow.

Q: Do you think that the acquisition of Prague Stock Exchange (PSE) by the Vienna Stock Exchange (WBAG) will boost the share of public equity financing of Czech companies?

A: I think that the stock exchange is playing a positive role in the development of the Czech economy, facilitating corporate expansion. The new owners have obviously a lot of opportunities to raise the market even higher, capitalizing on their experiences and relations in other markets. Still, I expect the banking sector to retain its leading role in financing of domestic corporations as long as the interest rates remain low. Moreover, the efficient and healthy banking system is further supporting the role of loans in the Czech Republic.

For example, the volume of loans to corporate clients is still growing at a reasonably healthy pace despite a visible slowdown in real economic growth. As far as regulatory interference is concerned, I believe it should be limited to a necessary minimum, but this minimum must be strictly enforced. Both the banking sector as well as the stock exchange are very healthy, and we should leave it to the natural market forces how they develop in the future.

Q: You mentioned that Czech banks are characterized by low cost structure. Unfortunately this is not passed on to the customers. Recent survey showed that fees and commissions represent disproportionately high part of income of Czech banks.

A: I agree with the data, however I don't agree with the conclusions. Please notice that the Anglo-Saxon banks, based on a no-fixed-fee principle, are today receiving direct help from the governments, or to put it differently from the taxpayers, i.e., their clients. Therefore instead of a monthly fee of €1–2 every taxpayer is now obliged to pay several hundred euros to banks. I think this proves that the Anglo-Saxon system is simply not viable in the long term.

Q: The number of banks in Czech Republic is much lower than in Poland for example. Does it influence the price competitiveness for the clients?

A: I think that Czech banking market is more mature than the Polish one. When you look at the Western European markets, the two to three biggest institutions control a huge majority of the market. This can be considered as the eventual shape for every banking market. In the Czech Republic we are closer to this model than in

Poland. The relative fragmentation of the market doesn't necessarily have to be beneficial to the end client due to economies of scale. For instance, as far as I remember, a recent survey by [consultancy] **Capgemini** indicated that Polish banks are on average more expensive than their Czech counterparts.

Q: What are the major threats to the profits of Czech banks?

A: The major risks relate to the structural challenges of the whole economy. The biggest problem is a potential slump in exports. We are already observing significant write-offs related to bad loans granted to export-oriented manufacturers.

Q: What can be the eventual size of asset write-offs for Czech banks and when can we expect the trend in nonperforming loans (NPL) dynamics to reverse?

A: The provisions for NPLs are expected to grow for many months to come. The trend will reverse around the same time as the economy bottoms out. When this will happen is obviously very difficult to estimate.

Q: The official forecasts of ČNB indicate that the recovery should come in 2010.

A: Let's be frank, the recovery in the Czech economy will come when the global and especially German economy recovers. The recent 18 months also taught me not to rely too much on econometric forecasts, as they tend to work rather poorly in the environment of rapid changes in economic sentiment.

Q: The rapid deterioration of Polish złoty contributed huge losses on hedging positions of Polish exporters. The losses already translated into insolvency of several otherwise healthy businesses and cost banks in terms of high provisions for lost receivables. How does the situation look in Czech Republic?

A: There is no such systemic problem with hedging losses neither for the banking system nor for the companies, but some individual companies that lost orders are hurt badly. The companies are secured against derivative losses by the offsetting stream of foreign currency coming from the export sales. This is actually the essence of those transactions. So the only way to get hurt is to lose expected and hedged export sales. In Poland there were numerous cases of overhedging which turned the whole concept upside down and put companies into financial jeopardy. Moreover, the rate of deterioration of the Czech crown was much slower, which translated into smaller losses. On the basis of the data we collected from banks at the time the exchange rate was at Kč 28.5–29 to the euro, the total losses were estimated at Kč

60 billion. The value added coming annually from exports amounts to around 10 times this figure, so the aggregate impact is rather limited. In addition, the Czech crown is significantly stronger today. ■



Jan Tréšník

Who is Miroslav Singer

Born: May 14, 1968; Prague
Education: 1991, graduated in mathematical methods in economics from the University of Economics, Prague (VŠE); 1995, postgraduate fellowship at the University of Pittsburgh, where he completed a doctorate.
Work experience: 1999–95 researcher and lecturer, and later the deputy director for research, at the Economics Institute of the Academy of Sciences of the Czech Republic and the Center for Economic Research and Graduate Education (CERGE-EI) at Charles University; 1995–98 chief economist at Expandia Finance; 1998–99 managing director of Expandia Investment Company; 2000–01 managing director of Expandia Holding. In 2001 Miroslav Singer joined consultancy **PricewaterhouseCoopers Česká republika** as director of the services to businesses group, where he specialized in corporate recovery, restructuring and distressed assets transactions. He has been a member of the supervisory boards/boards of directors at **Česká pojišťovna**, Expandia Finance, Expandia Banka, Expandia Holding and Chemofond, as well as at industrial companies such as **Jitona**, Vigona and **Vlnap**. He is chairman of the CERGE-EI Foundation. He has been a member of the editorial boards of *Finance a úvěr* (Journal of Economics and Finance) and *Business Central Europe*. Miroslav Singer was appointed a member of the CNB bank board on Feb. 11, 2005.

THE BUSINESS

Trying to **keep one's shirt** in the crisis

The global economic meltdown has not spared the fashion industry, which relies on people having disposable income. Like many firms involved in textiles, menswear retailer **Jaspis Fashion** relies heavily on imports and also finds itself vulnerable to fluctuations in the global economy. But despite the problems, the firm is looking to expand domestically and in new markets.

BY SANJA KUPREŠAK

Tomáš Daněk, co-owner of Jaspis Fashion, one of the biggest wholesalers of men's clothing in the Czech Republic, said that the firm doesn't have problems with suppliers but has been affected by the fluctuating exchange rate between Czech crown and U.S. dollar. The dollar increased during the last half of 2008, and they buy textiles and products in dollars from China and in euros from Italy. "In the beginning, we had Czech producers and importers, but three years later we started to import from other countries. We import materials from China, Italy and Austria and whole [finished] products as a wholesaler who built a network of our own retailers," he explained.

Jaspis Fashion entered in the men's fashion marketplace in then-Czechoslovakia in 1992. Four schoolmates—Daněk, Libor Lanč, Otmar Schenk and Lubor Dostál—have maintained the same 25 percentage ownership. Under the brand names Friends & Rebels and Native the company sells shirts in the 13 fully-owned stores and in three franchise brand stores. Their assortment can also be found in several fashionable boutique and specialized stores for men's fashion. The company is based in Prerov, in the Olomouc region of Moravia.

"At the time, me and my other three schoolmates were looking for a summer job, so we decided to buy and sell some textile products because of big demand and little offer on the Czech market," Daněk said. "Before we finished our vacation, we had quite a large amount of customers and new suppliers, and we decided to hire employees to be able to finish our study. After three years of spontaneous development we specialized in men's clothes because we realized that it will be better to be more concentrated on only men's clothes. We didn't

want to buy and sell suits because there were big competitors like **Oděvní podnik**, based in Prostějov [in the Olomouc region], one of the biggest players on the market for producing and selling suits. At the moment, they are also our customer," he said. **Oděvní podnik** is better known under its brand name OP Prostějov.

"In 2002 we placed a new collection of shirts, the Friends & Rebels brand, on the Czech market, in 2003 this collection was followed by the Native collection. As our registered brands, we promote these two collections as high-quality fashionable shirts," Daněk said. Jaspis Fashion's annual sales amount to 200,000 shirts. For every fashion season—spring/summer and autumn/winter—there is a new collection of shirts and ties, containing more than 150 colors, designs and materials.

After establishing a foothold on domestic and Slovak markets, Jaspis decided to export a part of the production abroad. The first countries the firm targeted were Lithuania, Croatia and Austria.

Turning to domestic market

Until recently, fashion, clothing and shopping have always been assumed to be a woman's domain. Men generally do not have the lust for fashion as their female counterparts, but the recent trends in the fashion industry shows that men also take an active interest in grooming their personality. An increasing number of male shoppers indicates the boost in their fashion consciousness, which is fueled by men's style magazines and the increasing focus of designers in catering to the preferences of male customers. Though men's fashion is not as diverse as women's, still the industry has an assortment of trends, appealing and sophisticated for men.

According to research firm **Marketresearch.com**, the Czech menswear market generated total revenues of \$1 billion (Kč

20.3 billion/€758 million) in 2007, representing a compound annual growth rate (CAGR) of 19.7 percent for the period spanning 2003–07.

But in 2008, due to the economic situation, Czech households registered a drop in the percent of the household budget spending on clothing and footwear, to 6.3 percent of household budgets in the fourth quarter of 2008 compared with 6.5 percent in Q4 2007, while the share of spending on unavoidable items such as housing, water, energy and transportation rose, according to figures from the Czech Statistical Office (ČSU).

Total sales in the Czech textile and clothing industry—for men's and women's fashions, and other textile items—fell by 16.3 percent to about Kč 46.1 billion year on year in 2008, the lowest sales figure since 1999, according to the estimates released in January by the Czech Association of the Textile, Clothing and Leather Industries (ATOK). The figures were not broken down by gender.

The textile industry across Europe has been experiencing a crisis for several years. Italy, for example, is known for top names such as **Giorgio Armani** and **Gianni Versace**. But the sector there in past years has been hit by job losses, folding businesses and competition from Asia. In February, **IT Holding**, owner of fashion brand Gianfranco Ferré, asked the Italian government to place one of its units under special administration.

The crisis has been felt on the Czech market as well. "Every year we increased our turnover and sold more than 200,000 pieces, but at the end of the year 2008 we felt the crisis," Daněk said. "In 2007 we had €1.5 million turnover and in 2008 nearly €2 million because we found new customers in Lithuania, Austria and Croatia. We increased our exports in 2008 so we didn't feel the calamity as much as others in the fashion industry, but from the beginning of this year, our company felt a decline in sales. The payments from our customers come very late when they have bad sales. Now, during the crisis, we are focused more on domestic market," he said.

However, he stressed, the keywords are individuality and innovation for securing the future of any brand. A strong brand identity will be crucial for international success as stronger brands will be able to take advantage of their brand strength for global expansion using alliances and franchise arrangements. Consumers have to be given exactly what they need and in the way they desire. Consumer spending has dropped resulting in pressure on retailers' margins. Therefore, the business will have to focus on protecting gross margin by way of loss prevention, price optimization and efficient inventory management systems.



Jakub Stadler

Czechs are conservative, fashionwise

Daněk's prediction for 2009 is that it will be a very difficult year because of prices and a slowdown in sales. "We sell shirts from Kč 500 to Kč 1,200. Our aim is to open new shops or to offer our partners franchising options. For sales, we prefer other parts of the Czech Republic than Prague. At the places where our representatives are successful, we open shops and it doesn't matter for us if they are in a very small town," he said.

The colors are selected from trend-setting European fashion companies. "It is important to be present at the biggest fashion fairs like [menswear fair HMD Herrenmode] Düsseldorf to get experience and pre-

pare a new collection. But, we have to be careful in choosing fashion for Czech customers because they are conservative, so not every new fashion style would be ideal for them," Daněk said. "They prefer colors like blue and in the south of Europe they favor colors like pink. Currently, purple is very popular in the fashion industry all over the globe. Also, in high fashion primarily there are slim styles but Czech customers are more into free, everyday style; to feel comfortable in everything they do. In brief, what is required for any fashion company or professional for survival and growth is to establish an instinctual relationship with the customer" he concluded. ■

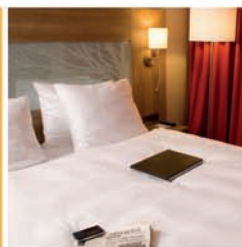
Company profile

Company: Jaspis Fashion
Sector: Fashion industry
Type of company: Limited liability
Ownership: Tomáš Daněk, Libor Lanč, Otmar Schenk and Lubor Dostál (25 percent each)
Founded: 1992
Number of employees: 50
Competitors: AMJ trade Ltd.
Annual turnover: €1.5 million–2 million
Elevator pitch: Despite the crises company aim is to open new shops and to offer its partners franchising options fully preparing new trendy designs for new customers.

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Boxing with **Orco's** **managers**

Luboš Smrčka, a tax and business adviser and university professor, is a founder and leader of the minority shareholder group SOS Orco. The recently established organization is aimed at rescuing developer **Orco Property Group**. Smrčka, who also boxes, previously stood up for small investors during coupon privatization.

BY ANNA SIECZKOŠ

Smrčka became interested in Orco because it was the first big developer operating in the Czech Republic to become endangered by bankruptcy. "I am concerned about the rights of the shareholders being breached. We would like to save Orco from the hands of irresponsible and selfish managers, who are acting to their own interest irrespective of the stakeholders," he told *CBW*. "I am also worried about the Czech clients who signed contracts with Orco for apartments yet to be built, and with the social consequences of the potential liquidation of the company, which employs a lot of Czechs."

During the coupon privatization of the 1990s Smrčka acted as a trustee in an investigation concerning fraud in mutual fund CS Fondy. "The owners of the fund purchased shares in the poultry factory **Drůbež Příšovice** for the total price of Kč 1.3 billion (now €48 million), the fair value of which stood at as little as Kč 50 million," he said, adding that the money was then transferred abroad and put into Swiss and Vaduz, Liechtenstein, bank accounts. "Together with the lawyers and state attorneys we proved money laundering, and the funds were then frozen in the Swiss and Vaduz bank accounts. In the end, we managed to recover as much as 15 percent of the channeled money," he said.

After many years freelancing in tax, business and insolvency advisory, in 2006 Smrčka decided to become a university professor. He lectures on business economics and personal and family finance for undergraduate students. From the upcoming academic year, he will teach master's degree courses, Eva Kislingerová, a professor at the University of Economics, Prague (VŠE) and Smrčka's colleague, told *CBW*. During his university tenure, Smrčka wrote two monographs on personal finance. The second book, published at the end of last year, was named the second-best publication at the Faculty of Business Administration of VŠE.

"Both books are very interesting, particularly because they do not deal with the subject of personal finance only from the traditional economic point of view," said Kislingerová, adding that Smrčka looked at sociological, psychological or political angles.

Jaroslav Schönfeld, an assistant in the department of business economics at VŠE who has known Smrčka for a long time praises his novel views. "He sees the economy as a complex social system," Schönfeld said. "[Smrčka] puts emphasis on the fact that the economy can be described by economics only to a limited extent because it involves numerous social features. Therefore psychology, among other factors, plays a key role in it," he added.

Smrčka's colleagues said that they consider his involvement with SOS Orco as more of a personal than a business issue. "Smrčka would never reconcile himself to his investment losing its value, especially when he feels that the situation in Orco can be reversed, and company operations can be improved and bankruptcy avoided," Schönfeld said. "I expect he will strive to make SOS Orco an important player to shape the company's future. ... This should come to the benefits of all shareholders," he said.

Face to face with Ott

Smrčka claims there are around 50 shareholders in SOS Orco, representing over 10 percent of Orco capital. "On our Web site there will be an online proxy to fill out, so that the management of the association can represent minority shareholders during the annual general meeting of Orco Property Group to be held at the end of April," he said. Shareholders in SOS Orco plan to call on the management to step down. "We are cooperating with several specialists in the field of company restructuring. Those people have wide international experience and their names are soon to be published on our official Web site," Smrčka added.

"My impression is that the situation of Orco is very difficult but not hopeless,"

SAID LUBOŠ SMRČKA

He considers the court protection from creditors granted to the company by the French court as a small success of the team led by current Orco CEO Jean-François Ott. However, this does not counterbalance some dreadful mistakes, he said. "Ott is in the corner trying to save his chair at any price. The reasons behind his actions cannot be purely financial, nor is it explainable by the emotional commitment to Orco. Ott fears that someone would uncover his mistakes, which might turn out to be something far more serious than only managerial incompetence," Smrčka added. Ott already rejected an offer from Swiss investors to save Orco (*see "Orco shakeup linked to Swiss investment bid," CBW, March 2, 2009*).

Petra Zdenková, group communication and PR director at Orco Property Group, said that Orco has always respected its shareholders. "However, we are now

questioning the true intentions of SOS Orco, which calls for superfluous changes in the company management," she said, adding that under the agreed court protection, Ott's management team will be able to rebuild Orco into a strong company.

Before Easter, Ott met with representatives of Orco's main shareholder Prague-based investment fund **Prosperita investiční společnost** and is ready to meet with any shareholder who asks for it, Zdenková told *CBW*. Smrčka held a short meeting April 9 with Ott too, but he declined to comment in detail. "My impression is that the situation of Orco is very difficult but not hopeless," he added.

Smrčka's hobbies involve gourmet food and boxing, which he tries to practice regularly. Smrčka mentions family as the most important value in his life. He tries to spend as much time as possible with his wife and three children: two teenage daughters and 5-year-old son. "My oldest daughter would like to become a journalist; however, I would see her more in the shoes of a lawyer or economist," he said.

So far, he has not been able to interest his students in his current cause. "As far as my university activities are concerned, there is no better example for students as practical application of the theories; however, few of my students are truly interested in Orco," Smrčka said, adding that mainly those with Orco stock take notice. He said he wants to capitalize on the Orco story further, making its failed takeover the focal point of his next book on mergers and acquisitions. "However I do not consider Orco as the opportunity to catch a running train and becoming famous. My concern lies in fate of the company, its shareholders and employees," he concluded. ■

Who is Luboš Smrčka

Born: Feb. 1, 1961; Jindřichův Hradec, South Bohemia

Education: 1984, graduated from the Czech University of Life Sciences in Prague (ČZU).

Work experience: In 1992 he left the Institute of Experimental Botany at the Czechoslovak Academy of Sciences to start in business and is co-owner of **Dolmen servis**. He acquired several professional specializations: 1993, tax adviser; 1996, broker; 1998, certified balance accountant; 2000, forensic expert in economy, prices and valuation specialized in the valuation of securities, RM-S and stock exchange and business valuation; 2001, accounting and tax expert. Recently, he has worked in the department of business economics at the Faculty of Business Administration at VŠE. He was the trustee in bankruptcy in several companies, including C.S. Fondy.

EXPERT FILE

Looking for a **safe haven**



Josef **Stouilil**

Where a retail investor can invest during a recession might be among the top positions questions in terms of frequency and relevancy today. With investors incurring enormous losses last year, most of them try to look for a “light in the end of a tunnel.” The truth is that no one really knows where to start searching. Almost everyone is afraid of the next bubble, further economic contraction or recession, rising unemployment and currency fluctuation.

Yet, most importantly the uncertainty of tomorrow discourages people from buying new expensive things, taking out loans and investing in the global financial markets. Going back to ancient times trust has been one of the most important components of successful economic and business functioning. Restoring confidence in markets can be a long road. The goal for an average investor should not be extensive capital, but preservation of current wealth. Since an average person usually receives his income in one type of currency, his main goal should be diversifying cash savings.

Whether done through the foreign exchange market (forex) or simply at a local currency exchange, the main issue is to choose currencies that will move in the direction which is favorable to the investor, or at least not fluctuate extremely. With these goals in mind, many experts mention such currencies such as Japanese yen (JPY), due to its traditional relative stability in comparison to other currencies (average monthly change vs. the U.S. dollar (USD) was about 3.03 percent in 2008 compared with 1.5 percent in 2006 and 2.06 percent in 2007, according to Bank of Japan statistics. Other so-called safe havens include the Swiss franc (CHF) and euro (EUR), which have proven to appreciate during downward movements in the stock market and increased volatility in the currency markets.

Allocating one's capital to the dollar could be considered rather risky today, as there is an almost equal chance of dollar strengthening and weakening. One case of upward movement in the dollar is possible if the U.S. will improve its economic situation faster than the rest of the world. On the other hand, there is an in-

creasing probability that the enormous supply of dollars printed by the U.S. government would have an impact on its comparative position. The fact that the dollar's role as a foreign exchange reserve currency is still immense might constitute a strengthening factor.

Bargain hunting

Another well-known possibility for capital allocation is, of course, investment in common company stocks. While many analysts consider the current times as exceptionally volatile and consequently very risky for an average investor, there are nevertheless enough opportunities to buy shares of well-established and financially strong corporations at a relatively low price. As highlighted by famous banker Nathan Rothschild, “buy when blood is running in the streets.” Again, having in mind the goal of capital preservation, the right sectors to choose from should be from the so-called defensive pool of stocks, or, logically, sectors that are expected to be less affected by current economic calamities.

For example, even such renowned global corporations as health care firms **Pfizer** and **Johnson & Johnson** were pummeled by investors to historically very attractive levels. We should not forget about the **Coca-Cola Company** or **McDonald's Corporation**, where demand for their products is still strong. Also electricity, water and heating firms might be relatively less influenced by decreased consumer spending. Companies that historically paid a stable dividend should also be considered for inclusion in the recession portfolio. Generally, companies with a strong cash flow and low debt, accompanied with stable earnings growth could be considered potential buying op-

portunities. It is also necessary to point out that during such crisis times, many analysts consider U.S. exchanges to be most appropriate for investment. Although the U.S. might have lost some of its superiority, it is nevertheless anticipated to be the first to pull out from the crisis, given success of its “bailout” policies. With everything above said, currently stock investments are appropriate for individuals with higher risk appetite who are willing to sustain some volatility present in the markets.

Wine, art and diamonds

Luxuries, such as diamonds, antiques or wine could be considered as an alternative kind of investment. Diamonds sustain their role as king of alternative investments, mainly due to stable historical price growth, scarcity and increasing demand. It is possible to buy diamonds directly at a jewelry dealer or invest into diamond funds.

Paintings and antique art are well-known for their ability to sustain price and value over time. Wine could prove to be a very interesting option. Aged wine made of fine harvest has a very high probability of increasing in value, but while the initial costs are low, the investment timeframe might be relatively long (15-25 years).

Lastly, the most conservative investors should consider allocating a part of their capital to government securities, mainly the U.S. Treasury Bills. It is important that currently due to the high amount of government borrowing and currently very low interest rates, the long-term outlook is obscure, thus Treasury Bonds and Treasury Notes should be approached with proper caution.

While an average retail investor is able to exchange currency at a local exchange, it is difficult to reach further without the help of a professional financial adviser. A serious person should therefore contact a relevant advisory company as expert advice is of high value and helps in definition of long-term goals. One can also try some online trading services, which are widely advertised nowadays and fairly easy to get in touch with.

During all times—whether crisis or prosperity—it is common for the community to exaggerate issues. Still, even in dire periods there are opportunities to be exercised, as these are the times when new leaders emerge and new trends are set ... without exceptions. ■

Josef Stouilil is an analyst at brokerage Capital Partners.

Whose move



Karel Stránský, 48, was appointed managing director of the Czech branch of real estate consultancy **Colliers International**. Prior to this appointment, Stránský was the Czech office's director of industrial services for 13 years. Stránský joined Colliers International in Prague as a senior property consultant in 1996. Previously, he worked as deputy chief architect responsible for the development of the Southern Centre in Brno, South Moravia, and as development manager at developer **Bovis Lend Lease**, where he was responsible for the development of the Czech Technology Park. Stránský is a graduate of Masaryk University (MU) in Brno and obtained his MBA degree at the Sheffield Business School, UK.



Robert Keller, 28, is the new investor relations officer of **Unipetrol**. Keller will be responsible for communications with Unipetrol's shareholders, potential investors and other capital market participants. Prior to joining Unipetrol in 2005, Keller worked for brokerage **Patria Finance**, a member of the **KBC Securities** group, where he was an equity analyst focusing on Czech stocks and then CEE utilities and real estate sectors. He also worked within the company as an equity trader for the CEE region. Keller graduated from Charles University in Prague.



Jaroslav Barták, 41, has been appointed general director of the soft drink company **Kofola**. René Sommer, who previously held the position, became the HR and legal director of **Kofola Holding**. Before joining Kofola ČR, Barták was country manager for household product maker **S.C. Johnson** in the Czech Republic and Slovakia and then managing director of the retail chain **Rossmann**. Barták has also worked for Gillette Company in the Czech Republic, Slovakia and Canada. Barták graduated from the Technical University of Košice, Slovakia, and obtained an MBA degree from the Katz Graduate School of Business of the University of Pittsburgh.



Vladislav Severa, 38, was appointed to the top management of consultancy **Ernst & Young** for Central and Southeastern Europe where he will focus on consulting major clients from private equity funds and strategic investors. Severa joined Ernst & Young in Prague in 1997. He has extensive experience with the management of projects in the field of business evaluation, mergers and acquisitions and financial modeling. Severa is a graduate of the Faculty of Mathematics and Physics of Charles University in Prague. Severa has CFA (Chartered Financial Analyst) certification from the Czech CFA Society.



Pavel Holík, 40, was appointed sales manager of power engineering firm **AE & E CZ**. Prior to this appointment Holík was a trader for AE & E CZ. In his new role Holík's tasks will include developing business and brand visibility of AE & E CZ on both the Czech and foreign markets and will focus primarily on activities in the area of fossil fuel boilers. Prior to joining to AE & E CZ, Holík worked for industrial firms **ABB Brno** and **První brněnská strojírna**. Holík graduated from the Brno University of Technology (VUT-Brno).



Jiří Demel, 45, has joined the engineering firm **AE & E CZ** as head of sales of the company's services and reconstruction department. In this position, Demel's main task will be to build new facilities focused on trade. He will be responsible for service contract supplied boilers and modernization of older facilities in the Czech Republic and abroad. Before joining AE & E CZ, Demel worked in the energy segment of **Alstom**, where he was project and commercial director, prior to which he was a sales representative in industrial firms **ABB Brno** and **První brněnská strojírna**. Demel is a graduate of the Brno University of Technology (VUT-Brno), in South Moravia.



Kateřina Vokatá, 40, joined marketing agency **Outbreak**, which specializes in word of mouth marketing, as account director where she will be responsible for project management of campaigns for brewer **Pivovary Staropramen's** brands Staropramen and Ostravar, and packaged food company **Vitana**. Vokatá will also lead a team of project managers and will be responsible for client service. Vokatá joins the company from **Leo Burnett Advertising**, where as group account director she was responsible for clients such as beverage maker **Coca-Cola Česká Republika**, carrier **Czech Airlines (ČSA)** and tea maker **Jemča**. Prior to joining Leo Burnett she worked 14 years in ad agency **Lowe G&K**. Vokatá graduated from a secondary school of economics.



Milan Kuncíř, 48, was appointed CEO of oil product and chemical company **Paramo** and will replace Ivan Ottis. As a member of the board of directors of **Unipetrol**, Ottis will devote himself entirely to the refinery and production activities of **Unipetrol RPA**. Kuncíř has been a member of the board of directors of Paramo since March 2007, and has held the position of second deputy chairman of the board. Kuncíř worked for Unipetrol Group refineries since 1996 in various roles in the company's strategy and development departments. Between 2003 and '05 he was technical director of **Unipetrol Rafinérie**. Since 2005 he has worked in Poland as CEO and chairman of the board of directors of the Polish company **Orlen Oil**. Kuncíř graduated from the Institute of Chemical Technology Prague (VŠCHT).

-jh-

If you have information about career moves of people not only in the Czech Republic, but also in the entire CEE region, let us know by e-mailing hartvichova@cbw.cz.

CROSS BORDER

Scandals in Poland lead to calls for **more transparency**

The line between propriety and impropriety in politicians' business affairs is thin in any country, but in Poland it has been too often crossed of late.

BY MARCIN POZNAŃ

Last month saw the ethical sensibilities of the ruling coalition called into question when a pair of high-profile scandals broke. The situation had the public scratching their heads—two members of Poland's ostensibly pro-business government involved in questionable business arrangements.

To some this was proof positive that the Civic Platform-Polish Peasants' Party (PO-PSL) coalition had been a collection of shysters from the beginning. Others were left wondering if perhaps the parties' business acumen had been grossly overestimated.

First the news broke that members of the family of Economy Minister Waldemar Pawlak (PSL)—who also happens to be the president of the Voluntary Fire Service in Poland (OSP)—head firms providing publicly contracted services to the OSP. Then it came to light that Senator Tomasz Misiak (PO), who had been working on a special bill regarding the dissolution of Poland's shipyards, was the co-owner of a recruitment and temporary work agency which had been granted a Zł 48 million (Kč 291 million/€11 million) contract to train laid-off shipyard workers.

Other than harsh public criticism from Prime Minister Donald Tusk (PO) and others, Pawlak escaped punishment. Misiak (*pictured*) resigned from his party and his company lost the contract. And these are just two recent examples of conflicts of interest by Polish politicians—numerous others have been publicized over the years.

The problem today

The situation is not unique to Polish politics, nor is it as prevalent as it once was. But it remains a serious bugbear.

Anti-corruption law in Poland doesn't expressly forbid the involvement of any public official in business. Some public officials are excluded from serving as management or supervisory board members, or on the



boards of foundations involved in business, but they may possess up to 10 percent of any company's shares. Another existing law, regarding the execution of parliamentary mandates, allows MPs and senators to have their own businesses but forbids them to use public means to further their business.

Moreover, politicians are required to report their and their spouses' wealth on a regular basis, with statements regarding their wealth published on the Parliament's Web site. But the law does not forbid them from transferring assets to other family members.

Various local solutions to the problem of conflicts of interest have already been tried, and more are in the works. Consecutive Cabinets have trumpeted their efforts to curb conflicts of interest, but the regulations put forward have obviously not been effective enough.

In 2006, for example, the Law and Justice (PiS)-led government created the Central Anti-corruption Bureau (CBA). The organization's founders claim that it has served as a visible sign of the fight against corruption, but it has also been criticized for controversial practices and for being inefficient.

"It is not preemptive, it is repressive. Instead of creating a significant system-wide solution, legislators formed a tool to deal with individual cases," said Maciej Grelowski of the Business Centre Club (BCC), an organization providing support to entrepreneurs. "New bans and punishments will not solve the problem, the CBA will not eliminate corruption," he added.

An earlier attempt to improve things was made in 2001, when public funding for political parties was introduced in Poland. This was seen as a way to improve transparency in politics by limiting financing from unclear sources.

The success of the measure is debatable, but PO controversially proposed a suspension of public funding for parties, claiming it could bring savings of zł. 100 million annually. This caused an uproar from other parties—including PO's coalition partner PSL—which don't want to give up a steady source of cash. The proposal also conjured images of special interest groups using cash to facilitate friendly legislation.

When the measure came to a vote last week, it was rejected. But the fact that such a move could have saved money from the state budget struck a chord with the

public, who in surveys consistently give bad marks to the political class as a whole.

This isn't the first time PO has embarked on a seemingly ill-fated attempt to improve legislation on conflicts of interest. The party has been working on a new anti-corruption law since 2007, but Government Plenipotentiary for the Struggle against Corruption Julia Pitera (PO), who is responsible for the effort, has yet to give anyone a glimpse of it. The long delay has disappointed some observers, while at the same time providing the opposition with fodder for criticism.

The painful case of Senator Misiak has given PO's adversaries yet another chance to castigate the party, while providing a new excuse for PO to work on the anti-corruption bill even more carefully, thus delaying it further.

After the Misiak case, Prime Minister Tusk himself suggested amendments to the bill that include further limitations on MPs' possible sources of revenue. For example, they wouldn't even be able to join foundations or associations involved in business, let alone serve in a leadership role. PO has also proposed the creation of special trust funds that would maintain MPs' corporate stock during their tenure in government.

Critics, however, have pointed out that this would prove little deterrent. Why shouldn't politicians continue to serve their own interests despite these rules, since they know they can return to the private sector at any time? "Even with the best efforts we will never eliminate all dishonest behavior," Grelowski said.

Others echoed this opinion. "As long as politics is perceived as a way to pursue private interests rather than as a public service, we will have to deal with this problem," said Jan Król, a former MP. He listed positive examples of businessmen-MPs, such as former MP Władysław Frasyniuk, who owns a transportation firm but rejected an invitation to join the

Parliament's Transportation Committee, and Janusz Palikot, who reduced his stake in his own company to below the 10-percent threshold before entering politics.

Pro- or anti-business?

Because of the recent scandals and impotent legislative efforts, PO, which is generally considered a pro-business party, has allowed itself to be depicted as a party at odds with businesspeople, one that wants to force politicians to give up or suspend their extra-parliamentary activities. At one point, PO's leaders even suggested that party members should sell all their corporate stock.

"We can't create a situation where only the unemployed can become MPs. ... We would reach the point of the absurd," Stanisław Żelichowski, head of PSL's parliamentary club, told Radio Zet "Society already thinks that politicians can botch anything—if you let [a politician] produce a mug, he would do it with the handle inside. This idea is like that handle inside the mug," he added.

Later, PO suggested publishing a list of its MPs and their business ties, but it withdrew from the plan. In the meantime, PiS, which has decided to publish its own list, has paradoxically found itself in a pro-business position.

"We don't want to join this witch hunt in any case. This list is a strictly technical undertaking. Everyone can look it up and see who has what," explained Jarosław Kaczyński, head of the PiS, referring all interested persons to the Web site of PiS' parliamentary club.

Grażyna Kopińska, head of the anti-corruption program at the Stefan Batory Foundation, pointed out that the publishing of either list would have little more than propaganda value. After all, every MP already publishes an asset statement online. That said, the Misiak case could have been avoided if these statements were better scrutinized.

A system-wide solution

"We aren't fighting against businesspeople. Our opinion is that we need to regulate and resolve this problematic area," Zbigniew Chlebowski, head of PO's parliamentary club, recently assured the press.

The business community seems to feel otherwise. The Business Centre Club even called a press conference last month under the resonant title "We Are All Suspects." The organization is preparing a letter of protest against the recently proposed anti-corruption measures. With disappointment in their voices, BCC members also complained that PO's ideas come down to one thing—reinforcing public opinion that businessmen are thieves.

"We oppose corruption and nepotism. But we can't fill our Parliament with incompetence by forcing people that have accomplished something in their lives out of politics," said BCC's Grelowski said. "Otherwise only the unemployed, homeless and orphans would be fit to become MPs," he added, saying that PO's recent ideas were not that dissimilar from PiS' proposals that were considered anti-business in the past.

Instead, Grelowski repeated the stance that a more complex, system-wide solution is needed rather than just a single anti-corruption law which, in the BCC's opinion, is full of problems.

Kopińska in turn praised the UK's solution, where prospective members of Parliament have to fill out complicated questionnaires about their business activities and that of their partners, including which companies they have served as consultants for and so on. She saw it as one of the possible solutions that could be adopted in Poland. "With full transparency, there is just no place for conflicts of interest," she said. ■

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WEEK IN REVIEW



Luděk Vycpálek

BUSINESS

Betting company considers merger

The largest Czech lottery company Sazka is considering a merger with a foreign partner so as to become number one in odds betting on the Czech market in three years, the daily *Hospodářské noviny* (HN) reported, citing Aleš Hušák, Sazka's general manager. Hušák would not disclose the name of the foreign partner to finance Sazka's expansion. At the same

time Hušák said the company intends to expand services offered through its ticketing network to include bill payments and hotel reservations. Tipsport is currently the market leader in odds betting with sales at Kč 5 billion, 12 times more than Sazka's sales in the segment.

Wood & Co. selling some shares outside PSE

Wood & Company Financial Services, the second largest stock dealer on the Prague Stock Exchange (PSE), has

started conducting some deals via the off-exchange markets to cut clients' costs. So far this year, the brokerage has concluded 5 percent of its deals with a turnover of around Kč 3 billion off-exchange, saving the company hundreds of thousands of crowns in fees, the company announced, adding that up to 40 percent of deals could be performed in this way by the end of the year.

Committee warns against ČSA sale to Aeroflot

The chairman of the Chamber of Deputies' security committee, František Bublan, has said that of the four airlines that have placed a bid for a 91.51 percent stake in Czech Airlines (ČSA), Russia's Aeroflot poses the greatest security risk. Bublan (Social Democrat, ČSSD) announced the committee's find-



Aeroflot

Quote of the Week

In my opinion, Aeroflot is the worst, really, in light of both the safety and security.

František Bublan (Social Democrat, ČSSD), chairman of the lower house's Security Committee, about the participants in the privatization of the Czech Airlines.

ings following a closed-door session with representatives of the Czech Security Service (BIS). Bublan did not give any more details. The airlines to have placed offers in the tender are Odien AV III, Air France-KLM and the consortium of Unimex and Travel Service.

Sklo Bohemia for sale

Glassmaker Sklo Bohemia in Světlá nad Sázavou, East Bohemia, is for sale. The Municipal Court in Prague decided April 15 that the debt-ridden company's assets and property

Presidency of the European Union

Czechs hail opening of Belgium's labor market

Belgium has decided to open its labor market to citizens of new EU member states as of May. Reacting to the announcement, Czech Ambassador to the EU Milena Vicenová said that the liberalization of labor markets has been a priority of the Czech EU presidency. "I am glad that following Denmark, Belgium has decided to open its labor market," Vicenová told the Czech News Agency (ČTK). Germany and Austria are now the last old EU members to maintain work restrictions for citizens of new member states that joined the EU in 2004. Germany and Austria intend to open their labor markets to the citizens of these countries only when the transition period deadline expires in May 2011.

Czech PM to go to Moldova

Outgoing Czech Prime Minister Mirek Topolánek (*picture*) will visit Moldova on April 22 in his capacity as head of the Czech presidency of the EU. Topolánek's spokesman told the press. Topolánek has spoken by phone with Moldovan President Vladimir Voronin about the situation in Moldova, following unrest in the wake of elections in the country in April. Following Voronin's instructions, Moldova's Central Electoral Com-

mission has started to recount more than 1.5 million votes. Opposition parties, however, have dismissed the recount as a farce and expect the committee to return similar results to the first contested count. According to official results, the ruling Communist Party gained just under 50 percent of the vote in the April 5 elections. The EU presidency pointed out that international



eu2009.cz

observers have reported that in many regards the elections were not conducted according to international standards. The EU in a joint statement earlier called upon Moldova to resume full diplomatic ties with neighboring Romania "in accordance with European values and principles." In the wake of the post-election troubles, Moldova expelled Romania's ambassador and imposed travel visas for Romanian citizens. Moldova is still due to attend the EU Eastern Partnership meeting in Prague on May 7.

EU to return funds to Czech Republic

The EU will return more than Kč 500 million (€ 20.7 million) to the Czech Republic from last year's EU budget, the European Commission (EC) announced. The sum will not be paid back to the Czech state treasury, but will be deducted from the country's future contribution to the EU treasury, the EC said.

Czechs sign petition against Lisbon Treaty

EU opponents have reportedly collected 10,000 signatures of Czech citizens for a petition against the Lisbon Treaty, Milan Krajča, a member of the People's Movement Against the EU, has told the press. According to Krajča, the signatures were collected at various pub-



Jan Tršátek

Supreme Audit Office (NKÚ), which audits national property management and implementation of the state budget, weekly magazine *Euro* reported, referring to a resolution passed by the NKÚ board. The NKÚ's average current expenditures per employee are twice as high as in other state institutions although staff numbers are falling, the weekly reported.

CR wins arbitration with Phoenix Action

The Czech Republic has won an arbitration case with the Israeli company Phoenix Action over almost Kč 1 billion regarding investments made by the firm in the Czech Republic via the firms Benet Praha and Benet Group, the Finance Ministry said. At the center of the dispute were transactions related with the acquisition of the Czech company ČKD Blansko in 2001, the ministry said. Phoenix Action staked its claim to an investment in engineering firm ČKD Blansko, which it failed to privatize. The Paris tribunal rejected the Israeli firm's claims right at the beginning of the arbitration proceedings, the ministry said.

be put up for sale by tender. Sklo Bohemia, which is bankrupt proceedings, ended production in September 2008. Those interested in the company's plant, stocks, other equipment and real estate can submit bids within 45 days from when sale conditions are made public. The details of the company's property and assets which are for sale and the sale conditions are available on the Insolvency Registry at www.justice.cz.

Shortcomings found in NKÚ performance

Shortcomings have been found in last year's performance of the

FINANCIAL RESULTS

Oberbank raises profit

Austrian bank Oberbank AG, which has been operating on the Czech market since 2004, raised net profit by 2.5 percent on the year to more than €105 million last year, the bank announced at a press conference. Oberbank has not, however, disclosed its after-tax result for the Czech Republic for 2008. The total volume of clients' deposits and loans with Oberbank's Czech branches grew to Kč 9.5 billion and Kč 10.5 billion, respectively. Oberbank has 17 branches and 14,180 clients in the Czech Republic, of which 12,328 are individuals and 1,852 are firms.

Subterra sees profit drop

Czech building company Subterra made a pre-tax profit of Kč 27.755 million in 2008, a drop from pre-tax earnings of Kč 115.102 million in the previous year, the firm has announced in a newsletter. Subterra's director Ondřej Fuchs said that the fall in profit was mainly due to complications of projects with private investors, namely the

Quote of the Week

The ODS cannot go to the election without ties to people who feel ... that, after the accession of socialists and communists in regions, there is the threat of similar scenario at the republic level.

Prime Minister Mirek Topolánek (Civic Democrat, ODS).

construction of the Plaza shopping center in Plzeň, West Bohemia, and the River Lofts residential complex in Prague. Despite the fall in profits, Subterra's total revenues increased by Kč 333 million year-on-year to Kč 4.45 billion. Subterra is owned by construction company Metrostav, which is part of the Slovak construction group DDM Group. ➤

lic events all over the country. Along with Ireland, which rejected the treaty in a referendum last June, the Czech Republic is the last EU member state not to have ratified the Lisbon Treaty. According to the latest poll conducted by the Center for Research of Public Opinion (CVVM), 38 percent of Czechs support ratification of the Lisbon Treaty, 25 percent are against, and 37 percent are undecided. In a press release Krajča said the aim of the People's Movement against the EU is to inform the public "about the EU's real character and its imperialist, militarist, anti-people and undemocratic policy." In the past Krajča headed the now defunct Communist Youth Union. The People's Movement Against the EU, seated in Brno, South Moravia, was established in October 2008.

Environment ministers seek financial talks

EU environment ministers have called for informal discussions with the EU finance ministers on the financial coverage of planned measures to combat climate change. Czech Environment Minister Martin Bursík said following a meeting of environment ministers in Prague April 15. Bursík, who chaired the meeting as a representative of the Czech EU Presidency, said the funding of the proposed measures is of key impor-

tance for forming EU proposals ahead of the U.N. climate change conference in Copenhagen in December. The aim of December's conference is to set goals for reducing emissions of greenhouse gases after 2012 when the Kyoto Protocol expires. The EU has pledged to cut emissions by 20 percent, but is prepared to cut emissions by 30 percent if key developing countries commit to cutting emissions by 15 to 30 percent by 2020.

EU presidency issues explained to PM-designate

At a meeting with Prime Minister-designate Jan Fischer, outgoing Czech Foreign Minister Karel Schwarzenberg said successful completion of the Czech Republic's EU presidency in June and the Eastern Partnership project are the main priorities for Czech diplomacy. Schwarzenberg also said his expected successor, his current deputy Jan Kohout, is an excellent diplomat who would manage the ministerial position well. "I respect him very much," Schwarzenberg said of Kohout, who was nominated for the post by the opposition Social Democrats (ČSSD). The ČSSD did not want Schwarzenberg (unaffiliated) to retain the post in the interim Cabinet that is due to hold office until early elections in October. The Eastern Partnership will be

launched at an informal EU summit in Prague on May 6, shortly before the government of Mirek Topolánek (ODS) leaves office. The aim of the project is to strengthen cooperation with six former Soviet Union republics: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine.

Concern expressed about Thailand

In a statement released April 14, the Czech EU presidency expressed deep concern about the violent unrest in Thailand between security forces and anti-government protesters and, at the same time, expressed regrets that the Thai government had to postpone the Association of Southeast Asian Nations (ASEAN) Summit in Pattaya due to political protests. In the statement, the EU presidency calls on protesters to refrain from further violence, which, it says, can only deepen the tension and risk damaging the stability and the reputation of Thailand. "The presidency hopes that the political divide will be solved through dialogue and by democratic, parliamentary means, within the framework of the constitution," the presidency's statement says. It the presidency also said it hopes also that the functioning of ASEAN, an increasingly important partner for the EU, will not suffer as a result of the events in Thailand. ■

WEEK IN REVIEW

Bestsport raises earnings in 2008

Bestsport, the owner and operator of multi-purpose hall O2 Arena, raised earnings before interest, taxes, depreciation and amortization (EBITDA) by 9 percent year-on-year to Kč 950 million last year, Bestsport and betting firm Sazka spokesman Zdeněk Zikmund said. The after-tax economic result will also be a slight profit, Zikmund said, adding the EBITDA data are preliminary and unaudited. At the end of 2007, Bestsport's total loss increased to Kč 786.3 million. The company posted a book loss of Kč 58.7 million in 2007 and made an operating profit of Kč 635 million. Bestsport's majority owner is a civic association comprising shareholders of Sazka, the largest Czech betting company.

Dairy Olma makes loss, proposes capital change

Dairy Olma sank into a Kč 214 million loss last year, while in 2007 it made a Kč 25.6 million net profit, and the worsening came mainly due to lower margins on dairy products, the firm said. Early this year, the group Agrofert Holding took control of the country's second most important dairy. In connection with the economic result, the company's board will propose a share capital decrease from the current Kč 236.2 million to Kč 2.4 million. The value of Olma's shares would thus fall from Kč 1,000 to Kč 1. The nearly Kč 234 million thus gained would be used for covering losses from past years. Olma also made a Kč 75.8 million loss in 2006.

ENERGY

ÚOHS to investigate ČEZ rebate

The Office for the Protection of Economic Competition (ÚOHS) has launched an enquiry into an offer by power monopoly ČEZ to give customers Kč 1,000 when they buy new refrigerators, freezers or washing machines from selected retail chains bonus. ÚOHS chairman Martin Pecina announced the investigation a day after ČEZ launched the offer. In order to

qualify for the offer, customers must either hand in their old appliances, or prove they were disposed of according to environmental standards.

RWE unit wants EU money for reversal

Gas transmission system operator RWE Transgas Net intends to ask the EU to allocate funds from the €5 billion anti-crisis package for investment into the company's pipeline infrastructure. RWE Transgas



plans to enable so-called reverse flow in its pipeline network in the Czech Republic so gas can be delivered in both directions, the company said.

E.ON starts price war with ČEZ

E.ON, the second largest power supplier on the Czech energy market, has started a price war with ČEZ, the largest player on the local market. Germany-based E.ON is offering electricity for next year to households and small businesses at prices 20 percent lower than this year. The offer, however, is only valid until the end of May. ČEZ announced a similar offer prior to E.ON for a 15 percent discount on advance energy payments.

ECONOMY

CR misses two euro criteria

The Czech Republic failed to meet two out of the four Maastricht criteria necessary for euro adoption, namely those set for inflation and for the exchange rate of its national currency, according to Finance Ministry data. Companies and industry representatives call for fast euro adoption due to the fluctuations of the Czech crown. On the other hand, many economists and the Czech National Bank (ČNB) warn against

hasty transfer to the euro. The inflation criterion was not met due to the global growth in prices and some government measures and should be met this year. The Czech Republic also has not yet entered the ERM II system, which precedes euro adoption.

Volume of risk loans up after six years

The volume of risk loans granted by Czech banks last year grew after about six years of decline, rising from Kč 109 billion in January to Kč 155 billion at the year's end, the Czech Statistical Office (CSÚ) announced. Loans granted to industry accounted for more than a quarter of the loans classified as risk. Since the beginning of 2002, when risk loans accounted for about one-fifth of all crown loans in the Czech economy, their share dropped to 6 percent in mid-2008. At the end of last year, the share was up at 7.2 percent and in February this year it reached 7.6 percent.

Savings deposits up 30 percent

Deposits into savings accounts have increased significantly as a result of the financial crisis, according to the statistics of the Czech National Bank (ČNB). The ČNB's figures indicate that between September 2008 and end-February 2009, the amount of money in savings accounts in Czech banks has increased by 30 percent. Over the same period, the amount of money in current accounts increased by 10 percent.

SOCIETY

Switzerland unlikely to extradite Pitr

Switzerland will probably not extradite to the Czech Republic fugitive Czech businessmen Tomáš Pitr, who is believed to be hiding there, the Aktualne.cz reported. Swiss authorities decided that Pitr's crimes had fallen under the statute of limitations. Pitr was sentenced to five years in prison for tax fraud in the Czech Republic, along with other persons, but he failed to turn up to start serving his sentence and fled the country in

Quote of the Week

I believe that ODS senators will behave responsibly. I think that they realize that our reputation in the EU has been already damaged enough.

Deputy Prime Minister Alexander Vondra (Civic Democrat, ODS) about the upcoming Senate vote about the Lisbon Treaty.

June 2007. Last November, the Interpol Center in Bern officially asked Czech law enforcement bodies to inform it of what crimes Pitr had committed. The Czech Police declined to comment on the case.

POLITICS

Two-thirds of Czechs oppose U.S. radar

Some 68 percent of respondents are opposed to stationing a U.S. radar base on Czech soil, while 26 percent said they support the plan, according to a poll conducted by the Center for Research of Public Opinion (CVVM). The results are almost the same as the previous poll



carried out by the CVVM. Two thirds of respondents, or 70 percent, said that any decision on the radar base should be put to a referendum, while 23 percent said they opposed a referendum. A treaty on the building of the base was signed by the Czech government, but has not been ratified by the Czech Parliament. ■

Gordon Bajnai named **new prime minister** of Hungary

Hungary's parliament endorsed Gordon Bajnai (*picture*) as the country's new prime minister. Bajnai, who is politically unaffiliated, plans to introduce a range of financial austerity measures and tax cuts to revive the country's troubled economy. One reason for Hungary's failing economy is the large amount of loans in the country taken out in foreign currencies, mainly in euros and Swiss francs. Bajnai, who had been minister of economy for the past year, replaces Hungarian Socialist Party (MSZP) leader Ferenc Gyurcsány, who stepped down due to mounting pressure last month.

"To restart the economy, we need to cut the tax burden on employment, increase the willingness to work and support work-intensive economic fields with high added-value," Bajnai told the parliament following his endorsement on April 14, according to news agency



europe.eu

Reuters. He added that fiscal discipline was equally important. "Budget balance, maintaining the deficit, which has been brought down to around 3 percent [of gross domestic product (GDP)], is an indispensable condition of crisis management," he added.

Analysts cited by news agency Bloomberg are optimistic. "He is seen as a competent and market-friendly guy," said Peter Montalto, an economist with **Nomura International** in London. The new government's planned financial austerity measures include large cuts to pensions, child and other social welfare payments.

The Hungarian News Agency (MTI) reported on April 16 that President Laszlo Solyom has appointed 14 ministers according to the prime minister's proposal. Bajnai nominated specialists from outside the political spectrum for key Cabinet posts. Péter Oszkó, the head of the Hungarian branch consulting firm **Deloitte Touche Tohmatsu**, has been appointed Finance Minister.

Tamas Vahl, who was nominated to be economy minister, dropped out due to criticism of some of his business dealings by watchdog group Transparency International. Bajnai will nominate a new minister for the post this week. Bajnai has just a year to implement reforms before regularly scheduled elections are held. ■

—Complied by staff—

Gazprom opens first European office in Riga

The Russian state-owned gas giant Gazprom has opened a representative office in Riga, Latvia, the company's first in the EU, the *Baltic Times* reported. Gazprom reportedly chose Latvia due to the company's projects in the region, including the projected gas pipelines from Paldiski, Estonia, to Finland and Nord Stream from Russia to Germany. Gazprom has said that it is considering connecting the underground gas storage facility in Dobeles, Latvia, to the Nord Stream pipeline, which is still awaiting approval from several governments in the Baltic region.

Hungarian Treasury releases funds for corporate lending

The Hungarian state treasury will provide the country's central bank with a two-installment loan of Ft 170 billion (Kč 15.5 billion/€578 million) in order to boost corporate lending in the country, the Finance Ministry announced April 14 according to the *Budapest Business Journal*. The loans will carry a market interest rate and will be provided in euros,

pounds, dollars and yen, the Finance Ministry said in a statement. The state loans will be provided on the back of a €20 billion international financial package granted to Hungary by the International Monetary Fund (IMF), the EU and the World Bank late last year, the ministry announced. The central bank will use the loan to grant at least Ft 55 billion in corporate loans. Then-Finance Minister János Veres announced on March 25 that the state will provide loans of more than Ft 400 billion to OTP Bank and around Ft 120 billion to FHB Bank with the aim of boosting domestic lending.

Russia calls on NATO not to hold exercises in Georgia

Russia's Permanent Envoy to NATO Dmitry Rogozin called on NATO to abandon or postpone joint military exercises planned for May in the former Soviet republic of Georgia.

Rogozin told Russian news agency Interfax that he sent an official written request to NATO Secretary General Jaap de Hoop Scheffer concerning the matter. According to Rogozin, the planned exercises amount to a declaration of support by

NATO for the regime of Georgian President Mikheil Saakashvili. "In Russia the decision has been made to impose sanctions against the countries that continue to militarize Georgia and supply heavy weaponry that could be used in new operations against neighboring countries," Rogozin said, hinting that Russia suspects Georgia may be planning military action to retake the breakaway regions of South Ossetia and Abkhazia, which Russia has recognized as independent states. In a telephone interview with news agency Reuters, Rogozin called the NATO plan "absurd and a provocation." Russia and Georgia fell into conflict over the breakaway regions in July and August 2008. As of press time, NATO had not issued an official response to the Russian request.



www.nato.int

Bankruptcies in Poland rise 11 percent in Q1

Insolvencies in Poland were up 11 percent year on year in the first quarter of 2008, with 105 firms declaring bankruptcy, according to a report by insurance company Euler Hermes. Analysts are predicting more of the same for Q2. According to the daily *Rzeczpospolita*, the largest number of insolvencies were in the Mazowieckie and Silesia regions with 21 and 15 firms going under. The economies of these regions are dominated by export industries, a sector that has suffered the heaviest losses as a result of the economic crisis, the *Warsaw Business Journal* reported. In comparison with last year, the number of bankruptcies doubled in Lower Silesia, but in Warmińsko-Mazurskie and Mazowieckie regions—where wood and furniture industries are prominent—the figure tripled. Euler Hermes' report indicates that the largest share of bankruptcies took place among manufacturers, with 31 percent. The number of bankruptcies in the service sector also rose in Q1 to 24 percent, up from 16 percent, as did insolvencies in the retail sector. ■

THE LIST

Declining **payment discipline** hurts leasing sector

As the Czech Republic falls deeper into recession, leasing companies are confronted with challenges in receiving fees on time. As a result, some leasing companies now only want to do business with conventional customers. Moreover, Czech leasing firms are setting up new projects to combat the decrease of new leasing productions.

BY JAISHREE KALIA

Since the beginning of 2009, **Fortis Lease Czech** has witnessed a growing decay of payment morale from some of their customers, according to Jakub Cerman, the firm's general manager. "Clients from the transportation sector especially have shown signals of being heavily hit by the slow-down of the economy," Cerman said.

Others confirm that payment discipline in general has become a problem, and not just for leasing firms. Three out of four firms now pay late, according to a February poll by the Czech Chamber of Commerce (HK ČR). "The worsening of payment discipline of companies is proof of the fact that many firms are facing existence problems caused by a dramatic fall in production and orders," HK head Petr Kužel said.

Leasing companies have also seen volumes dropping, according to figures from the Czech News Agency (ČTK). **ČSOB Leasing**, with a 15 percent market share the biggest leasing company on the Czech market, financed cars, trucks, machines and equipment for Kč 22 billion (€822 million) in 2008, some 13.5 percent lower than in 2007. **UniCredit Leasing**, the second biggest company on the Czech leasing market, saw the volume of new deals fall to Kč 14.514 billion last year from Kč 17.215 billion in 2007. Leasing of movable property provided by members of the Czech Leasing and Finance Association (ČLFA) fell by 27 percent year-

on-year to Kč 95.5 billion in 2008, the ČLFA told ČTK.

Even though there is a downturn in volume in the sector, Fortis Lease Czech plans to maintain a conservative strategy. The firm has always relied on the customers of **Fortis Bank** as well as taking on business generated by vendor partners, Cerman said. However, after experiencing such a decrease in payment morale from some of



Marin Siebert

their customers, they intend on sticking to the strategy of doing business with clients they know more firmly now, Cerman added. "In terms of numbers, the leasing files needing close attention doubled in the

first quarter of 2009 compared to 2008," Cerman told *CBW*. Fortis Lease Czech does not plan changes to its work policies in order to combat this problem. "Fortis Lease has a profound asset of knowledge, as well as strict credit procedures; therefore, no dramatic changes were needed to react to the new situation in the economy," Cerman said.

Pluses and minuses from slowdown

According to Cerman, all leasing market players will be hugely affected by the economic slowdown during 2009 and 2010. Many customers will be in greater financial difficulty that will result in a major funding issue for leasing companies, he added. For now, leasing companies that do not have a solid banking background will face challenges in arranging funding for their activities, Cerman said. "We think this might be a stimulus for further concentration of the sector," he added.

Fortis Lease Czech started its operations in the Czech Republic in 2005, and ranked among the midsize leasing companies during the first years of its existence, Cerman said. However, Fortis Lease Czech has experienced a decrease in their volume of leasing productions. "The overall production volumes halved in the first months of 2009 compared to 2008," Cerman said. For Fortis Lease Czech, profitability and risk awareness then became the main measures of success, he said.

The financial crisis has had two major consequences on the leasing industry, according to Cerman. One crucial impact of the crisis is a major decrease within the productions of new leasing. On the other hand, a more positive approach can be taken. "The current methodology of pricing based on Basel II [international banking standards] reflects the better economic rationale of money lending," Cerman said. This means that the leasing industry can draw both negatives and positives from the economic slowdown.

The Czech market has experienced a downturn just like many other markets. During the past, the market has been a mature and highly competitive one, Cerman said. "It has an excellent 20-year record of enabling investment flow into the economy," Cerman said. However, the role of leasing in the economy has not been wholly appreciated by the political establishment during the last several years. "This situation will now hopefully change," he added.

Cerman, however, is optimistic. "[We] have some serious deals in the pipeline for 2009," Cerman said. They plan to take on one major project that involves leasing technology for a large, high-tech pastry factory in West Bohemia, Cerman told *CBW*.

Other leasing companies declined to answer questions for *CBW*, citing the negative financial developments in the sector. ■

In this issue we have prepared the list of Leasing Companies.
For the following issue, we are preparing the list of Telecommunications.

Leasing Companies . Ranked by value of newly leased items in 2008

Rank	Company name Address Telephone, fax E-mail, www	2008 Value of newly leased items (mil. Kč)	2008 Results			Types of goods leased										Ownership structure (country of origin)	Number of employees in CR	Year founded in CR	Top local executive Position Telephone, fax E-mail		
			Number of new contracts	Rev. from leasing (mil. Kč)	Total revenue (mil. Kč)	IT technology	Office automation suppliers	Passenger cars - new	Passenger cars - used	Trucks, commercial vehicles	Machinery & equipment	Construction machines	Agricultural technologies	Municipal leasing	Healthcare technologies					Real estate leasing	
1	ČSOB Leasing, a.s. Na Pankráci 310/60, 140 00 Praha 4 tel.: 222 012 111, fax: 271 128 027 info@csobleasing.cz, www.csobleasing.cz	22,070 ³	36,079	3,365	3,709	x	x	x	x	x	x	x	x	x	x	x	x	100% Československá obchodní banka (Czech Republic)	423	1995	Ing. Petr Jeníček Vice-chairman of the Board, Executive Financial Director tel.: 222 012 111, fax: 222 012 360
2	UniCredit Leasing CZ, a.s. Radlická 14/3201, 150 00 Praha 5 tel.: 257 091 111, 844 113 355, fax: 257 328 881 info@unicreditleasing.cz, www.unicreditleasing.cz	14,514	23,921	WND	WND	x	x	x	x	x	x	x	x	x	x	x	100% UNICREDIT LEASING S.P.A., Bologna (Italy)	285	1991	Ing. Jiří Matula Chairman of the Board, CEO tel.: 257 091 111, fax: 257 091 329	
3	SG Equipment Finance Czech Republic s.r.o. Antala Staška 2027/79, 140 00 Praha 4 tel.: 225 988 500, fax: 224 988 582 sg.ef@sgef.cz, www.sgef.cz	11,123	3,928	WND	WND	x	x	-	-	x	x	x	x	x	x	x	99.99% SG Equipment Finance International GmbH; 0.01% Gefa-Leasing (France)	105	1996	Reinhold Knödl Legal Executive tel.: 225 988 500, fax: 225 988 585 reinhold.knoedl@sgef.cz	
4	VB Leasing CZ, spol. s r.o. Heršpická 813/5, 639 00 Brno tel.: 543 550 111, fax: 543 550 150 info@vbleasing.cz, www.vbleasing.cz	9,342	10,396	WND	WND	x	x	x	x	x	x	x	x	x	x	x	100% VB - Leasing International Holding GmbH (Austria)	170	1995	Ing. Radek Fučík, Ing. Ladislav Jagoš Legal Executives tel.: 543 550 111, fax: 543 550 150 info@vbleasing.cz	
5	IMMORENT ČR s.r.o. Národní 973/41, 110 00 Praha 1 tel.: 225 574 111, fax: 225 574 999 office@immorent.cz, www.immorent.cz	6,380	WND	WND	WND	x	x	-	-	x	x	x	x	x	x	x	100% Immorent International Holding GmbH (Austria)	46	1997	Tomáš Velemínský, Jiří Drbohlav Legal Executives tel.: 225 574 111, fax: 225 574 999 office@immorent.cz	
6	Deutsche Leasing ČR, spol. s r.o. ² Plzeňská 3217/16, 150 00 Praha 5 tel.: 267 228 111, fax: 267 228 222 info@dlcr.cz, www.deutsche-leasing.cz	6,218	2,002	3,638	3,778	x	-	x	-	x	x	x	x	x	x	x	100% Deutsche Sparkassen Leasing AG & Co. (Germany)	50	1994	Václav Matějka, Radan Havelka, Uta Reichel - Legal Executives tel.: 267 228 111, fax: 267 228 222 info@dlcr.cz	
7	Mercedes-Benz Financial Services Česká republika s.r.o. - Daimlerova 2, 149 45 Praha 4 tel.: 271 077 666, fax: 271 077 609 leasing@mbfs.cz, www.mbfs.cz	5,972	WND	WND	WND	-	-	x	x	x	-	-	-	-	-	-	100% DaimlerChrysler AG (Germany)	49	1995	Tobias Waldeck CEO tel.: 271 077 666, fax: 271 077 609 waldeck@dcsf.cz	
8	s Autoleasing, a.s. Střelnická 8/1680, 182 21 Praha 8 tel.: 225 105 111, fax: 225 105 777 info@sautoleasing.cz, www.sautoleasing.cz	5,100	12,347	4,581	5,446	x	-	x	x	x	x	x	x	x	x	x	100% Česká spořitelna (Czech Republic)	140	2003	Wilfried Elbs Chairman of the Board, CEO tel.: 225 105 111, fax: 225 105 777	
9	LeasePlan Česká republika, s.r.o. Bucharova 1423/6, 158 00 Praha 13 tel.: 222 829 210, - 211; fax: 222 829 391 info@leaseplan.cz, www.leaseplan.cz	3,599	6,963	3,744	5,019	-	-	x	x	x	-	-	-	-	-	-	50% Volkswagen Group, 25% Mubadala Development Company, 25% Olayan Group (Netherlands)	100	1995	Ing. Martin Mitterwald Managing Director tel.: 222 829 211 martin.mitterwald@leaseplan.cz	
10	RENAULT LEASING CZ, s.r.o. Radlická 14/3201, 150 00 Praha 5 tel.: 257 091 172, fax: 257 091 450 www.renaultleasing.cz	2,992	9,402	382	448	-	-	x	x	x	-	-	-	-	-	-	50% UniCredit Leasing, 50% RCI Banque S.A. (Czech Republic, France)	12	1999	Jean-Jacques Thibert Managing Director tel.: 222 339 717, fax: 222 339 710 renault.leasing@unicreditleasing.cz	
11	ALD Automotive s.r.o. U Stavoservisu 527/1, 100 40 Praha 10 tel.: 281 006 148, fax: 281 006 390 info@aldautomotive.com, www.aldautomotive.cz	2,497	4,408	2,721	3,114	-	-	x	x	x	-	-	-	-	-	-	99.97% ALD International GmbH; 0.03% ALD International S.A. (France, Germany)	73	1996	Roman Schanner Jednatel/Legal Executive tel.: 281 006 179, fax: 281 006 390 roman.schanner@aldautomotive.com	
12	Raiffeisen - Leasing Real Estate, s.r.o. Hvězdova 1716/2b, 140 78 Praha 4 tel.: 221 511 610, fax: 221 511 641 realestate@rl.cz, www.rlre.cz	2,171	25	WND	WND	-	-	-	-	-	-	-	-	-	-	x	100% Raiffeisen Group (Austria, Czech Republic)	32	2001	Mag. Alois Lanegger, Michal Mišek Legal Executives tel.: 221 511 610, fax: 221 511 641 realestate@rl.cz	
13	UNILEASING a.s. Randova 214, 339 01 Klatovy 1 tel.: 376 357 111, fax: 376 357 129 unileasing@unileasing.cz, www.unileasing.cz	1,802	1,686	1,789	2,150	x	x	x	x	x	x	x	x	x	x	x	WND (Czech Republic)	60	1991	Ing. Pavel Ovsík Chairman of the Board tel.: 376 357 111, fax: 376 357 129	
14	ARVAL CZ s.r.o. Na Pankráci 322/26, 140 00 Praha 4 tel.: 261 109 011, fax: 261 109 012 arval@arval.cz, www.arval.cz	1,324	WND	1,798	1,800	-	-	x	x	x	-	-	-	-	-	-	100% ARVAL SERVICE LEASE (France)	66	2002	Mgr. Štefan Majtán Managing Director CZ & SK tel.: 261 109 011, fax: 261 109 012 arval@arval.cz	
15	IKB Leasing ČR s.r.o. Prosecká 851/64, 190 00 Praha 9 tel.: 222 929 414, fax: 222 929 490 info@ikb-leasing.cz, www.ikb-leasing.cz	1,235	824	744	747	-	-	x	-	x	x	-	-	-	-	-	WND (Germany)	26	2002	Dr. Rolf Michael Roth, Peter Hartmann Legal Executives tel.: 222 929 414, fax: 222 929 490	
16	Fortis Lease Czech s.r.o. Ovocný trh 1096/8, 117 19 Praha 1 tel.: 225 436 020, fax: 225 436 028 info.cz@fortislease.com, www.fortislease.com	997	540	WND	WND	x	-	x	-	x	x	x	x	x	x	-	100% Fortis Lease Group S.A. (Luxembourg)	5	2005	Ing. Jakub Cerman General Manager tel.: 225 436 020, fax: 225 436 028 jakub.cerman@fortislease.com	
17	BUSINESS LEASE s.r.o. Radlická 714/113a, 158 00 Praha 5 tel.: 225 778 800, fax: 225 778 899 info@businesslease.cz, www.businesslease.cz/com	972	2,203	1,226	1,228	-	-	x	x	-	-	-	-	-	-	-	100% Business Lease B.V. (Netherlands)	50	1996	Elias Drakopoulos Managing Director, Legal Executive tel.: 225 778 800, fax: 225 778 899 info@businesslease.cz	

THE LIST

Leasing Companies . Ranked by value of newly leased items in 2008

Rank	Company name Address Telephone, fax E-mail, www	2008 Value of newly leased items (mil. Kč)	2008 Results			Types of goods leased										Ownership structure (country of origin)	Number of employees in CR	Year founded in CR	Top local executive Position Telephone, fax E-mail		
			Number of new contracts	Rev. from leasing (mil. Kč)	Total revenue (mil. Kč)	IT technology	Office automation suppliers	Passenger cars - new	Passenger cars - used	Trucks, commercial vehicles	Machinery & equipment	Construction machines	Agricultural technologies	Municipal leasing	Healthcare technologies					Real estate leasing	
18	SüdLeasing s.r.o., Praha Janáčkovo nábř. 23, 150 00 Praha 5 tel.: 257 090 251, fax: 257 090 250 info@suedleasing.cz, www.suedleasing.cz	404	WND	WND	WND	x	-	-	-	x	x	x	x	x	x	x	x	100% SüdLeasing GmbH (Germany)	7	1995	Ing. Tomáš Kozderka Director tel.: 257 090 251, fax: 257 090 250 info@suedleasing.cz
19	Immoconsult Leasing Czechia s.r.o. Pobřeží 394/12, 186 00 Praha 8 tel.: 221 890 170, fax: 224 210 888 info@immoconsult.cz, www.immoconsult.cz	401	WND	WND	WND	-	-	-	-	-	-	-	-	-	-	-	80% Immoconsult Leasinggesellschaft mbH, 20% Immoconsult Projektentwicklung GmbH (Austria)	10	1993	Ing. Dalibor Slavík, Mag. Markus Dvorak Legal Executives tel.: 221 890 170, fax: 224 210 888 info@immoconsult.cz	
20	IPB Invest, a.s. Karlovo nám. 34, 674 01 Třebíč tel.: 568 821 411, fax: 568 842 150 info@ipbinvest.cz, www.ipbinvest.cz	311	348	304	371	x	x	x	x	x	x	x	x	x	x	x	private persons Czech Republic)	6	1998	Ing. Pavel Balík Chairman of the Board, Director tel.: 568 821 411, fax: 568 842 150 balik@ipbinvest.cz	
21	ECS International Czech Republic, s.r.o. Anděl Park, Radlická 14/3201, 150 00 Praha 5 tel.: 225 100 300, fax: 225 100 301 ludmila.dolejsi@ecs-group.com, www.ecs-group.com	283	WND	WND	WND	x	x	-	-	-	-	-	-	-	-	-	WND (France)	7	2005	Yannick Le-Roux Country Manager Contact: Ludmila Dolejší ludmila.dolejsi@ecs-group.com	
22	ASTON RENT s.r.o. Vršovická 5, 100 00 Praha 10 tel.: 271 721 616, fax: 271 721 108 rent@rentpraha.cz, www.astonrent.cz	11	32	WND	48	-	-	x	-	-	-	-	-	-	-	-	100% Ing. Martin Paleček (Czech Republic)	6	1992	Ing. Martin Paleček Director tel.: 271 721 616, fax: 271 721 108 aston@astonrent.cz	
NR	Commerz Real CZ s.r.o. Rybná 682/14, 110 00 Praha 1 tel.: 246 024 440, fax: 246 024 445 info@commerzreal.cz, www.commerzreal.com	WND	WND	WND	WND	-	-	-	-	x	x	x	x	x	x	x	100% Commerz Real AG (Germany)	4	1997	Mgr. Kateřina Kostková Legal Executive tel.: 246 024 440, fax: 246 024 445 info@commerzreal.cz	
NR	Credium, a.s. Park Office, Bucharova 2657/12, 158 00 Praha 13 tel.: 233 064 585, fax: 233 064 343 info@credium.cz, www.credium.cz	WND	WND	WND	WND	-	-	x	x	x	-	-	-	-	-	-	100% Sofinco S.A. (Czech Republic)	195	1997	Luděk Keltýčka Chairman of the Board, CEO tel.: 233 064 061, fax: 233 064 343 lenka.moravcova@credium.cz	
NR	D.S. Leasing, a.s.¹ Londýnské náměstí 2, 639 00 Brno tel.: 542 135 200, fax: 542 135 203; fax: 542 135 206 dsleasing@dsleasing.cz, www.dsleasing.cz	WND	WND	WND	WND	x	x	x	x	x	x	x	x	x	x	-	100% Dimension (Netherlands)	89	1993	Ing. Pavel Holík Chairman of the Board tel.: 542 135 202, fax: 542 135 206 holik@dsleasing.cz	
NR	GMAC, a.s. Olbrachtova 9, 140 00 Praha 4 tel.: 272 089 900, fax: 239 004 950 gmac.czech@gmacfs.com, www.gmac.cz	NA	NA	NA	NA	-	-	x	x	x	-	-	-	-	-	-	100% GMAC (United States)	18	1997	Paula Miller Managing Director tel.: 272 089 900, fax: 272 089 950 gmac.czech@gmacfs.com	
NR	Hertz Lease (ARCHER SHERIDAN, s.r.o.)¹ Office Park Nové Butovice, Bucharova 2, 158 00 Praha 5 tel.: 225 001 001, fax: 225 001 010 info@hertzlease.cz, www.hertzlease.cz	WND	WND	WND	WND	-	-	x	-	x	-	-	-	-	-	-	100% Sheridan Motor Group Limited 100 (Ireland)	WND	2004	Michal Kotrba Regional Manager tel.: 225 001 001, fax: 225 001 010 info@hertzlease.cz	
NR	Macquarie Capital GmbH - Macquarie Equipment Finance - Herrengasse 1-3, 1010 Viedeň tel.: 602 449 467, fax: +43120530030 www.macquarie.com	WND	WND	WND	WND	x	x	-	-	x	-	-	-	-	x	-	100% Macquarie Bank Limited (Australia)	WND	2006	PhDr. Ivana Prokopová Manager tel.: 602 449 467, fax: +43 120 530 030 ivana.prokopova@macquarie.com	
NR	Sixt Full Service Leasing (SPEED LEASE s.r.o.) tel.: 266 007 050, fax: 266 007 013 lease@e-sixt.cz, www.e-sixt.cz	NA	1,000	NA	NA	-	-	x	x	x	-	-	-	-	-	-	99.92% Elana Anstalt; 0.02% Hendon (Germany, Lichtenstein)	35	1995	František Pačes Managing Director, Legal Executive tel.: 266 007 007, fax: 266 007 013 chvalova@e-sixt.cz	
NR	ŠkoFIN s.r.o.¹ Pekařská 6, 155 00 Praha 5 tel.: 800 100 800, klient. centr. 224 992 410 skofin@skofin.cz, www.skofin.cz	WND	WND	WND	WND	-	-	x	x	x	x	-	-	-	-	x	100% Volkswagen Financial Services AG (Germany)	222	1992	Dipl. B.W. Oliver Schmitt, Stefan Rasche, Ing. Jiřina Tapšíková, M.B.A. Jednatel/ Legal Executives	
NR	TOYOTA Financial Services Czech s.r.o. Sokolovská 79/192, 186 00 Praha 8 tel.: 296 579 500, fax: 296 579 523 www.toyotafinance.cz	WND	WND	WND	WND	-	-	x	x	x	x	-	-	-	-	-	100% Toyota Financial Services (UK) Plc. (Japan)	18	1996	Ing. Aleš Kamarýt Managing Director tel.: 296 579 500, fax: 296 579 523 ales.kamaryt@toyota-fs.cz	

(1) own research (2) Data are valid for 1.10.2007-30.9.2008, (3) in purchase prices

Information about all companies can be found at www.bookoflists.cz or www.knihaseznamu.cz as well. If you are interested to be ranked in the list, please contact The Book of Lists team at: 222 098 114, -161, -147; lists@cbw.cz.

WND	would not disclose	NR	not ranked
NA	not available	AD	advertiser

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U.S. law has Czech **impact**



David **Smith**

Have you or has your company ever paid a bribe to have a traffic violation overlooked or to get a license or permit granted, or not conducted due diligence on business intermediaries? If the answer to any of these is yes, you may have breached the Foreign Corrupt Practices Act (FCPA).

The FCPA is United States legislation but potentially applies to a large number of Czech-based companies and employees. You are directly affected if you manage or are employed by a business that has U.S. ownership or if you are a U.S. citizen or are conducting business in the U.S. You are indirectly affected if you conduct business with a company subject to the FCPA and compliance is incorporated into your contracts. The ramifications of the FCPA mean that willful ignorance is no defense.

While there are Czech laws and international conventions against corruption, it is the FCPA that has gained prominence in the Czech Republic. This is due to the active regulatory enforcement conducted by U.S. authorities and the levels of investment by companies subject to the FCPA.

The FCPA was enacted in 1977 and has two parts. First, the anti-bribery provisions make it a criminal offence for a U.S. company or citizen to corruptly pay, offer, promise or authorize payment of anything of value directly or indirectly to a foreign public official in order to obtain or retain business or gain an improper advantage.

Second, the record keeping and internal control provisions require U.S. Securities and Exchange Commission (SEC) registered companies to make and keep records and accounts that in reasonable detail accurately and fairly reflect transactions. Further, companies are required to maintain a system of internal accounting controls to ensure the appropriate authorization of transactions, accurate reporting of transactions, safeguarding of assets and that financial statements are prepared in accordance with generally accepted accounting principles.

The FCPA is a criminal law. Punishments can include fines, imprisonment, bans on U.S. government contracting and the imposition of compliance review programs in addition to damages to reputation.

Practical issues

There are several common issues that have emerged during discussion of the FCPA with clients and their advisers in the CEE region. It is our experience that companies tend to associate the FCPA with its anti-bribery provisions and think of it only in this regard. What they forget is that the wider application of the FCPA is actually in the record keeping and internal controls provisions. For example, a bribe to a non-governmental official will not contravene the anti-bribery provisions but, unless it is accounted for as a bribe (and not, for example, consulting fees), a contravention of the FCPA will have occurred.

It is also a common practice for companies to use agents, consultants or other forms of intermediaries in selling goods, particularly where a company does not have an established sales network of employees within the region. The FCPA applies to both direct and indirect bribes, including those paid through intermediaries—and a legal standard of “known” or “should have known” applies. A lack of control, or willful ignorance over activities of such intermediaries and their methods of selling products, is something we have regularly found to exist, thus giving rise to potential FCPA exposures.

Foreign companies operating in this region need to ensure that strict guidance is in place around reporting potential breaches of the FCPA to appropriate management, for example general counsel’s office. From a self-interest viewpoint, it can be tempting for local management to assess any exposure themselves and avoid raising the potentially embarrassing issue up the management tree, which for them may have negative consequences. By putting in place an appropriate culture that encourages reporting, parent companies will be in a better position to assess and manage any FCPA exposures.

The anti-bribery provisions of the FCPA refer to foreign public officials. While this

term is not explicitly defined, practically it has been given a very wide interpretation in that it is considered to apply to any person acting in the employment of a public office, for example university employees and employees of government-controlled companies. We have observed that whilst companies may be aware of the application of the FCPA to government officials, they often do not realize how broadly the term government official has been interpreted.

What should you be doing?

If a company is subject to the FCPA there are several steps it could take to address the risks of noncompliance. It should perform due diligence on potential intermediaries to assess if they are companies that you would want to do business with, and whether they are government entities under the FCPA. Legal wording that addresses their compliance with the FCPA and ethical conduct and maybe right-to-audit clauses should be inserted into contracts with intermediaries. Staff particularly in sales and finance functions should be trained on the provisions of the FCPA and issues they should be mindful of. The adequacy of existing internal controls and financial records needs to be assessed. Any sales activity with government customers (as covered by the FCPA) must be correctly authorized and separately identified in accounting records. If the company is foreign owned management must be asked for details of its FCPA compliance program or strategy.

These suggestions can assist in compliance with the FCPA and, in the event of any contravention, can also help to support the efforts taken to comply. Such efforts may help mitigate any penalties imposed.

FCPA and the economic crisis

In our view, the global economic crisis has increased the importance of companies taking preventative steps to ensure compliance with the FCPA. We see it as likely that the economic crisis will drive an increase in fraud and corruption driven by managements’ need to meet performance targets in a slowing economy, or by their need to maintain financial rewards when bonuses may be shrinking. Furthermore, given the expected lower profitability and growth of companies due to the economic crisis, the consequences of a contravention of the FCPA in terms of fines and maybe black-listing or close monitoring programs will have a more significant impact. We are also yet to see whether the threatened increased regulation of the financial industry due to recent events will extend into additional regulation in areas covered by the FCPA. ■

David Smith is senior manager of fraud investigation and dispute services at Ernst & Young.

Hori: EU will take **leading role** in Copenhagen

Author and teacher Takeaki Hori is skeptical about the new trend favoring nuclear energy. However, he is optimistic that the incoming U.S. administration will take a serious approach to environmental issues leading up to the replacement of the Kyoto Protocol.

BY MAJA MARKUNOVIĆ

The Kyoto Protocol was important only symbolically, he says. The solutions that it encouraged, such as planting monoculture forests, do not really help to solve the underlying problems.

But there is some progress on the horizon, he says. New technologies that reduce dependence on coal will be helpful in Japan for example, but developed countries will still need to negotiate with places like China, that will remain heavily coal dependent.

While he is optimistic about changes in the U.S., it is the European Union that will be in the driver's seat as far as environmental issues go at the upcoming United Nations Climate Change Conference scheduled for Copenhagen, he says.

Hori is one of the pioneers of a field called environmental anthropology, which puts stress on how human beings treat nature through history. He is the author of numerous books and academic publications. He is an executive board member of the International PEN organization, a former adviser to the Nippon Foundation and is currently a visiting professor at the Anglo-American University in Prague. Following the collapse of the Soviet regime in Europe, Hori was vice president of the U.S.-Japan Foundation. In that role he cooperated closely with Czechoslovak and Czech President Václav Havel and later lectured at the Charles University in Prague.

Q: In your courses and published works you define 'an ecological mind.' In a nutshell, what is it?

A: The main aim of this is to develop creative thinking when dealing with ecological issues: to encourage an interdisciplinary approach, to understand ecology as an empirical science, to get away from anthropocentrism and understand the cosmic world as a living organism.

Q: It was not that long ago that nuclear energy was considered too expensive and too risky, or controversial. Now it's being reconsidered as a financially viable form of energy. How do you assess this shift?

A: Despite all safety regulations, humans make mistakes and this is why nuclear power is hard to control. Hazards have already happened: we have experienced them in Chernobyl [in 1986] in Europe but also in Japan. Japan has about 60 power plants, and from time to time there have been some mismanagement problems. I have no idea why the public supports the idea, but it is a trend now.

Q: A survey by European Union statistical arm Eurobarometer published in July 2008 shows that public opposition to nuclear power has decreased since 2005. According to the survey, those in favor, at 40 percent, are almost as many as those against, at 45 percent.

A: When you see daily newspapers for example, media has been guiding public minds this way. It's manipulation. It's true that nuclear power is a cleaner form of energy but if something happens, and it always does, it's a hazard.

Q: Do you think the free market economy and environmental protection are compatible?

A: This question can misguide the public, because environmental issues are tackled by developed countries, while others neglect it. Anyhow, my answer is yes and no depending on your expectations about the quality of life. It's possible if we are ready to regulate economic development based on a global assessment system, which in practice hasn't been done so far.

Q: What are your expectations for the United Nations Climate Change Conference to take place in Copenhagen in December, at which the participants

are expected to endorse a treaty to replace the Kyoto Protocol in 2012?

A: The EU will take the leading role and it is quite likely to propose very ambitious targets. But most of the other key players such as Japan and the U.S. are not ready to follow, simply because of the shortage of time for preparing any serious work. ... I think it is quite unlikely to come up with drastic concrete measures. However, an idealistic framework can at least be projected.

Q: In a recent interview with Environment and Energy Publishing, Yvo de Boer, the executive secretary of the United Nations Framework Convention on Climate Change (UNCCC), expressed optimism that not only the U.S., but also India and China, which are set to become the largest polluters in the future, will actively engage in the Copenhagen treaty. Do you see this happening, and if so under what conditions?

A: I carefully read [U.S. President Barack] Obama's statements during the presidential campaign and it is very likely that he'll attempt to tackle the issue in earnest. These [environmental] issues are of equal importance as security and defense issues and can create many new jobs, and that is also persuasive for India and China. ... But this has nothing to do with ecology in the real sense.

It is completely up to their political decisions. When the timing is right, they will make some compromises. However, they are fully engaged in how quickly they can catch up with the most industrialized countries. Step by step they are moving toward us but there is a long way to go. That is why Japan could play the most important role to convince them by offering bilateral trade in emissions, which is mutually beneficial.

Q: Do you think that the Kyoto Protocol has proved worthwhile given that many think the costs outweigh the benefits?

A: I appreciate Kyoto in the sense that it is the first initiative in this area ... but the achievements are purely symbolic.

Q: The varying obligations between the countries that signed the protocol enable plans that are in essence legal, but can be viewed as imbalanced. This makes it possible for individual companies to buy credits in order to legally exceed their emission quotas. Do you think this system works toward a solution, or is it just prolonging the problem?

A: I appreciate the human wisdom that created the protocol, but policy makers and capitalists came with these rather absurd ideas that cannot last forever. In Japan, for example, companies that are the biggest



Jakub Stadler

polluters—to the best of my knowledge at least 50 companies are involved—are buying land in Chile, Peru, Brazil, New Zealand, Papua New Guinea, Ecuador, Vietnam, but mostly in Australia, where they plant eucalyptus trees. They have calculated how to reduce their official emissions according to how much oxygen these plants produce. They are planting mono forests of eucalyptus, which grows very fast. Major stock holders come from many sectors. They include trading houses, paper producers, most of the major publishing houses, copier machine companies, electric power companies, etc. It's ridiculous! In this way they are creating another problem: mono forests are bad for biodiversity.

Q: Poland still relies on coal for more than 90 percent of its electricity production. Nevertheless, the country was able to more than meet its Kyoto Protocol obligations to curb carbon emissions. The European Commission, however, gave Polish industry a carbon dioxide emission quota almost 27

percent lower than proposed by the Polish National Allocation Plan (NAP). Poland insists that it is impossible to meet these targets. Similarly, in 2006 Germany exempted its coal industry from the requirements of the EU international emissions trading system. It is estimated that about 60 percent of Germany's electricity still comes from coal-burning power stations. How do you think the problem of coal-generated electricity can be solved?

A: Everything can be utilized: It's just a matter of cost. If we are ready to cover the cost of controlling and regulating emissions, we wouldn't have to use coal any more. This policy, I think, is encircling and devised to squeeze China out because China is the biggest coal polluter. Poland is nothing in comparison. It's clear that everything depends on developed countries like Japan and to what degree we are ready to extend our help. Japanese are able to regulate anything: there is a pilot project at a [car-maker] **Honda Motor Company** factory where up to 97 percent of materials are re-

cycled. There are chimneys specially devised to cut pollution, but China and others would need to invest millions of dollars into these devices and it's a huge amount for them that they could spend otherwise to develop another industry for example.

Q: In your opinion, to what extent are the recommendations of the New Economics Foundation put forward in their Green New Deal being accepted? How threatening are their recommendations for coal-burning industries?

A: Coal would still remain the major fuel for electric power generation and also significantly for steel and cement makers. Japan discharges almost 1.5 billion tons of CO₂ annually. Half of that amount is generated by 20 major companies, most of which are power stations but also include steel makers.

However, in a decade, they should be liberated from such heavy dependence on coal thanks to new technological innovations. Hydrogen for example, is one possible way to replace coal. In any case, developed countries, including Japan, will sooner or later need to have serious negotiations with China, which is dependent on coal for most of its energy.

Q: Japan recently signed a deal with the Czech Republic to buy carbon credits to emit 40 million tons of carbon dioxide. What is your opinion on the deal?

A: This is a very interesting agreement and to a certain extent indicates Japan's future eco-diplomacy. First of all, the Japan Carbon Fund (JCF) was recently incorporated as a joint initiative involving major trading houses, electric power companies, steel industries and major investment banks. The JCF will promote off-shore emission trading as much as possible. In other words, they can invest money for environmentally clean business overseas, and in return they can trade in emission to the advantage of Japanese industry. Bankers can act as agents to make arrangements for government loan assistance, and thus provide sufficient investment funds, as well as providing updated technological and business information to the JCF, and eventually distribute carbon emission quotas to the advantage of the stakeholders.

In this way individual companies in the fund can together decrease the risk of investment in environmentally advanced projects overseas. Japan did fail to honor its duty to reduce the emission of CO₂ by 6 percent by the year 2010. Instead emissions actually rose by 6 percent. This means the total output of CO₂ shot up 12 percent, which is equivalent to about 150 million tons. That is why they wanted to secure a surplus of emission credits. ■

MARKETS

Private equity investors **still poised** for investments

With stock exchanges closed for any type of initial public offerings (IPOs) and banks still reluctant to lend cash to companies, private equity investors remain one of the few sources of finance still available to entrepreneurs. Yet, even the private equity market is reshaping under the impact of the crisis.

BY CRISTINA MUNTEAN

In November 2008, **Enterprise Investors** (EI), one of the largest private equity and venture capital investors in Central and Eastern Europe (CEE) got back in the spotlight on the Prague business scene when it acquired a 42.46 percent stake in **Kofola-Hoop**, one of the most significant producers of nonalcoholic beverages in CEE for Zł 480 million (now Kč 3 billion/€112 million). EI made the acquisition via its private equity fund Polish Enterprise Fund VI (PEF VI). Enterprise Investors was already present on the Czech market through the ownership of computer security software maker **AVG Technologies CZ**. Since 2004 when it was acquired by EI, AVG raised profits from some \$8 million (Kč 162 million) to over \$54 million last year, Dariusz Prończuk, managing partner of Enterprise Investors, told *CBW*. However, as the company is set to grow further, EI isn't considering exiting it already, he said.



Jakub Stadler

Asked how the private equity market is changing under the impact of the crisis, Prończuk said that few deals will be done in 2009 and even fewer among private equity investors. This might lead to market consolidation, as investors focusing on buyouts only might be taken out of the market, he said. However, the growth potential remains in CEE, and investors should be ready to make steps ahead at the right moment, he said.

Currently, EI is one of the largest CEE private equity investors. It manages more than €1.7 billion in total capital committed. Since 1990 when it started activity, EI invested in more than 100 companies, floated 25 firms and sold holdings in more than 90 companies. Among its most recent acquisitions is the purchase of a 36 percent stake in **Bio-Profil**, a Polish sales and marketing company specialized in promoting and selling dermatological cosmetics and aesthetic medicine products via its Enterprise Venture Fund I (EVF I). Also, on Dec. 15, 2008 this fund closed its first investment with the purchase of 30 percent in **Dystrybucja Polska** (Polish Distribution), a nonaddressed mail distributor from Poznań, Poland, for Zł 6 million.

Q: What concrete business plans does EI have for the Czech Republic?

A: We are in the process of discussing various projects with a large number of owners and managers. I even would say that a number of potential projects is growing. This is because two years ago entrepreneurs who were looking for funding and who wanted to develop a business had at least two other alternatives—banks or the public market. Right now there is no public market, even the best company in the world can't raise money on the public market except for such situations as emergency share issues of banks, and banks are very reluctant to grant new loans. For those who have a viable business project we and other private equity firms are virtually the only potential source of money. The question now is when you do a deal. I'd say that won't be in the next one or two quarters because it's very difficult to agree on terms. There are a lot of business-related things that we can still discuss, but I don't expect anybody to be closing any sizeable deals within the next couple of months, and not very many this year.

Q: What are your plans for Kofola?

A: The business is undergoing consolidation on its three key markets: the Czech Republic, Slovakia and Poland. There is a very strong development base in Poland—in certain specific segments of the market Kofola is number three or number four. There are however a lot of good things that the Polish operations can learn from the Czech Republic and Slovakia. We'll be helping the

management during the process of merging these businesses. A merger is always very difficult, but a merger between companies operating in three different countries is even more challenging. The second issue is people: learning how to motivate them, work with them and implement certain changes. Kofola's management is in the process of integrating all those elements.

Q: Do you have any plans to withdraw Kofola from the stock exchange?

A: No, we don't plan to do that for the time being. We'd like to keep the company on the stock exchange for now.

Q: Where would you like to take AVG in the future?

A: When we invested in the business, it was a very small fish in the global market. Right now it's a company with 85 million

If someone sees an opportunity to grow their business now, when everyone is suffering because of the economic crisis, investment by our fund is a very good proposition.

customers and everyone is paying attention to it. The next step in its development will definitely be to move into non-U.S. and non-European markets: to places like China, Korea and Southeast Asia. Surprisingly enough, despite low consumer confidence the business in the U.S. is holding up very well and growing very strongly. Security protection these days over the Internet is a must for everyone. I couldn't imagine anyone using a computer or the Internet without some sort of security. Organized crime is attempting to abuse people's computers for different purposes—not just to steal data from individual computers but also to steal data from other people. It's a serious thing and security is a big industry—people need to buy it, have it and use it just as they need to drink water or eat bread every day. That's why sales remain pretty strong. We see growth in the number of PCs that are protected and growing sales of the business. These are the main directions in which we expect the business to go.

Q: When are you planning to exit AVG?

A: Precisely when we exit this company is hard to say; we definitely won't be doing so within the next couple of quarters because the market isn't there and the business is growing very nicely. There are a number of things in which we believe we could still help the company in the process of its further growth and expansion, which would increase the value for us and other shareholders.

Q: What net profit do you expect from AVG in the future?

A: We expect the business to continue to grow in the future as it did in the past. We invested when AVG had a net profit of \$8 million and last year it reached \$54 million. We don't expect profits to grow eight times over the next three years, but this company still has huge growth potential.

Q: Where will you place the money from your fund for small and medium-size enterprises?

A: This is a fairly new fund that we established in the middle of last year. We've already made two investments from that fund. However we know the sector of small and medium-size enterprises (SMEs) very well as we invested in those companies from the early 1990s. I think it is a good proposition for people running a mid-sized business with revenues of €10 million–15 million. We see the current situation as an opportunity for them to develop their business. Usually, development requires money. Banks aren't very open today to talk about new loan facilities especially for the SME segment. They'd rather buy treasury bills of certain countries than finance businesses.

Whether that's right or wrong—I won't comment. If someone sees an opportunity to grow their business now, when everyone is suffering because of the economic crisis, investment by our fund is a very good proposition. We can use our money to help the company invest, buy a competitor, expand or go to other countries. I think this is a very good time to think about development.

Of course, you have to be very careful; most businesses are in survival mode and some won't survive the current economic situation. However, running a business isn't only about cutting costs and laying off people. Yes, you need to do that when times are tough because you must safeguard the liquidity of the business, but the long-term value isn't there. Value comes when you're actually growing the business, so you need to do both: make sure you have short-term liquidity and long-term growth prospects.

Q: What investment opportunities in SMEs do you see in the Czech Republic?



FINANCIAL MARKETS



Jakub Stadler

A: In terms of sectors, those segments where Czech businesses were always strong are going to be strong in the future as well. These are all businesses that are export-driven. It's hard to have a successful business in the Czech Republic that is only a Czech-based business; except for things that are difficult to transport, you really need to have a business that is European. The question is whether Czech managers will be able to move into markets where they are not operating already and change the way they do business. I think right now that is a very good opportunity because everyone is suffering and some of their competitors might go out of business. In most cases, Czech companies are subsuppliers to businesses that then sell the product to the final customer. The question is whether the Czech businesses will be able to go on key markets and change the business models they have, from servicing the business base to servicing the customer base directly. That is a challenge. This is something that was quite difficult to think about two to three years ago. But I think this is a big opportunity for businesses here.

Q: Should Czech businesses look for such opportunities on Western markets or rather on developing Eastern markets?

A: It depends where these businesses are. It's not just a matter of saying 'I know nothing about Germany and I want to go there'; it's, 'I've been doing business in Germany for 20 years and now the question is, can I change the way I do business there.' We own a couple of businesses based in Poland that are successfully setting up their operations in developed and developing European countries. It takes, however, two years or more to really know what's going on in a new country. It's not that easy.

Q: What opportunities has this crisis generated for private equity in CEE?

A: I wouldn't say that the crisis has created any new significant opportunities. And as for investing during a crisis, that's very difficult. For a transaction to happen you need to have a buyer who wants to pay the price, but also a seller who's willing to accept it. In the current economic environment it's very difficult to agree on a price. The crisis isn't helping the private equity industry in the short term.

Yes, there are certain specific distress situations when people have to accept the fact that they might lose their whole company and they have to do something about that. However, in this part of Europe there won't be too many investments of that kind. This isn't because people aren't having problems, but because they don't want to accept that they're having problems and when they eventually do, it's usually too late. You need to have a whole system, including banks, that understands that sometimes writing down a debt by 50 percent is better than keeping it on the books, doing nothing and hoping things will resolve themselves.

Q: Do you see potential in the health care sector in the CEE?

A: Health care is an interesting market that is very underdeveloped in the region and that is poised for growth, as people will be spending more and more money on their health. Moreover, the demographics work to the sector's advantage, because the population is aging. At the same time, it's a very difficult sector. It's partly regulated by the state, partly funded by public money; you don't really have good managers in this sector, so the challenge is to find leaders and managers. Industry know-how from other countries is transferable, but only to a

limited extent because the health care sector differs substantially from country to country. It's very difficult to grow as a regional player in this business.

Q: When you look specifically at the Czech market compared to Poland and other CEE markets, what would its pluses and minuses be for private equity?

A: The Czech Republic is a good place to invest in businesses that are export-driven and those that are trying to change the model on which they operate in other countries; that's a great opportunity. It's a country of very solid and great managers who are very reliable and good to work with, but the entrepreneurial spirit is relatively weak compared to other places.

In Poland, successful businesses are mainly domestic businesses because the domestic market is large enough, there is a lot of entrepreneurial spirit, but the problem is the management skills and the ability to implement things—the discipline of doing things and going through processes—converting an idea into the business process. Romania is pretty much like Poland. The difference is that there are certain things you can probably still do in Romania but you can't do in Poland because the market is a couple of years ahead. Last but not least, Slovakia is basically a kind of mix of Poland and the Czech Republic in terms of how people operate, and it has a large pool of entrepreneurs who have developed businesses from scratch.

Q: How are your exit strategies influenced by the ongoing economic crisis?

A: The area that will be the most affected by the current changes will be secondary sales, that is, exiting businesses by selling them to another private equity company. There will be a significant slowdown in that area, mainly because of the unavailability of credit and transactional loans.

Q: How will this downturn impact your CEE business overall?

A: Part of our job is to make sure we know which companies are good and to be ready to invest in those businesses whenever they are ready. If you divide our business into three parts, they are investing, being an active owner in the company and then exiting. Today we spend a lot of time understanding the challenges of new business and discovering how good they are. We also spend a lot of time helping management teams of our companies to cope with the current situation. Even though the exit business is almost dead for the moment, we still talk to potential buyers because that's what we do all the time. Even if we don't believe that we will sell today, we will eventually sell one day. ■

Stockwatch

The U.S. auto industry: Crisis brings the worst, and the best

The U.S. auto industry sent a batch of mixed messages again: **General Motors Corporation** seems to be nearing bankruptcy and sales in China overtook those in the U.S. for the third consecutive month in March. The good is to be found on the flip side of these reports.

Big Three, Big Two, or just the One? The omen of the U.S. auto industry remains as blurry as it was when the financial crisis first hit. Recent data confirmed this notion with March figures plummeting 37 percent on the year. Yet, many analysts consider the final number a glimmer of hope since it means a 25 percent increase compared with February. And that is why some experts like **Citi Investment Research** analyst Itay Michaeli speculate about the proximity of the bottom for auto sales and the industry as a whole.

Despite this "hope amid the slump," as **Deutsche Bank** auto analyst Rod Lache described the current situation for

business magazine *Forbes*, the worst news from U.S. automakers should still be expected to come; at least for those who consider the disappearance of the traditional American auto brands or their significant downsizing a bad thing.

"The Treasury Department is directing General Motors to lay the groundwork for a bankruptcy filing by a June 1 deadline, despite GM's public contention that it could still reorganize outside court," cable broadcaster CNBC reported last week.

The goal, the network's sources within the administration say, is a fast bankruptcy that in one of its scenarios considers a split of the company into a bad GM and a one with good assets that would keep on rolling.

In other words, while the fight for GM's survival is far from over, it is clear already now that this Tyrannosaurus needs to shake off some extra pounds in order to survive the evolutionary jump as de-

livered by the financial crisis. Paradoxically enough, **Ford Motor Company**, the one that seems to be most fit to cope with this necessary adjustment, might put on some extra weight instead.

At least judged by speculation about a possible merger of Ford and **Chrysler** should the plan for the latter's junction with **Fiat** fail. And while these voices represent what might be considered one of the long-shot options, they reconfirm yet another dimension of the recovery process that the industry needs to undertake in order to become competitive again: consolidation is crucial not only within but also without particular auto companies.

This is exactly what industry analysts and other experts are waiting for and why many of them consider the current crisis a positive thing. "Auto makers will begin to plan better; they will cut costs; and there will be less duplication of models offered by individual brands within one concern," said Michal Štengl of magazine



Roman Chlupatý

Auto Motor a Sport, adding that the current problems also represent an incentive for a robust expansion outside the traditional markets as well as for a deeper commitment to those with high-growth potential.

Among these, China proved to be a dominant power by taking away the title of the biggest global market from the U.S. this year. This, given the high demand for American brands—patriotism aside—might be considered a good thing by U.S. carmakers. The question is to what extent and how fast these will be able to adjust to a new (global) reality.

So far, the government's multibillion dollar lifeline seemed to be rather disruptive in this sense. However, the possible bankruptcy of GM might become a strong signal the industry simply needed. With or without it, the American car shall be expected to survive the crisis. How to properly bet on it on the market so one makes profit still remains a mystery though. ■

U.S. banks do better than expected, push world markets

As expected, last week was under the influence of the earnings season, mainly of the results of U.S. banks. **The Goldman Sachs Group**, **JPMorgan Chase & Co.** and **Citigroup** beat expectations. That is why the positive mood, which started in the previous week when **Wells Fargo & Co.** positively surprised investors, continued. The PX Index rose 0.5 percent on the week to 845 points.

Only energy group **ČEZ** had a significant announcement: the proposed dividend

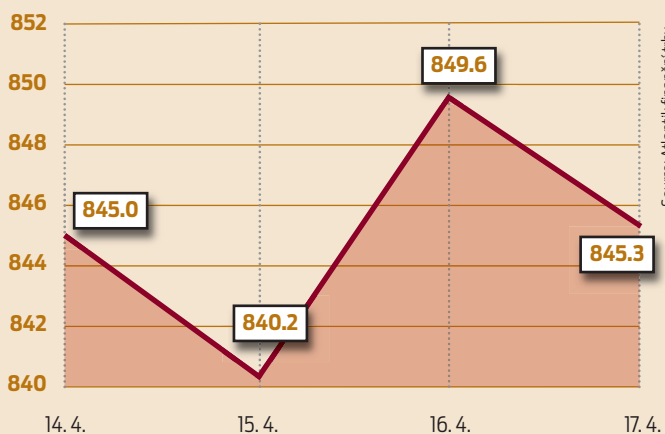
amount of Kč 50 per share, which now represents a 6 percent gross dividend yield. **ČEZ** will last trade with dividend right on May 4. The stock reacted positively to the proposal, rising 5.5 percent on the week to Kč 830.

The biggest gainer of the week was **Central European Media Enterprises (CME)** up 17.3 percent to Kč 345. Investors continued buying on news that media giant **Time Warner** entered CME.

The U.S. earnings season will continue driving the markets. From macroeconomic news, investors will focus mainly on the monthly data from the U.S. housing market: existing home sales and new home sales. In the eurozone, the indicator of economic sentiment will be released. It is expected to rise to zero, after more than six months in negative territory. No significant macroeconomic figures are to be announced in the Czech Republic. ■

—Atlantik finanční trhy—

The Prague Stock Exchange's PX index in the past week



PSE stocks in the past week

Stock	Up/down	Price	% change
AAA AUTO	↗	Kč 8.8	0.11
CETV	↗	Kč 345	17.35
ČEZ	↗	Kč 830	5.46
ECM	↘	Kč 200	-2.15
ERSTE BANK	↗	Kč 420	4.84
KOMERČNÍ BANKA	↘	Kč 2,530	-2.95
NWR	↗	Kč 81	9.00
ORCO	↗	Kč 140	4.87
PEGAS NONWOVENS	↗	Kč 283	3.85
PHILIP MORRIS ČR	↗	Kč 5,800	1.40
TELEFÓNICA O2	↘	Kč 404.5	-6.43
UNIPETROL	↘	Kč 123.9	-5.59
VIG	↗	Kč 735	6.12
ZENTIVA	↘	Kč 1,111	-0.26
PX INDEX	↗	845.3 PTS	0.54

AUTOMOTIVE

Automotive News

Slovak scrap subsidy runs out after nine days



The second round of state subsidies for the purchase of a new car and disposal of an old one in Slovakia ended April 14 around 5 p.m. People handed over more than 22,000 cars for disposal during nine days, according to information from Automotive Industry Association in Slovakia (ZAP).

BY ERICH HANDL

The Slovak government earmarked €22.1 million (Kč 587.4 million) for the second round of the scrapping subsidy. There are currently no plans to spend more on the subsidy program.

"There were 22,100 cars accepted for disposal in the second phase of the subsidy. This number of cars exhausted the budget set by the Ministry of Economy," the association stated, without giving further details.

The Slovak government supported the purchase of more than 40,000 new cars during both rounds and spent €55.3 million on this subsidy.

A state subsidy for the purchase of new cars started to run out quickly at the beginning of last week after subsidy renewal. There was money left for only about 2,600 cars for the end of the Easter holidays.

The Ministry of Economy, which together with ZAP pushed through the

subsidy, recently warned that there were also several negative effects during the second round.

Dealers, for example, offered cars for higher prices than during previous weeks, problems also occurred with number of cars at scrap yards. Some businesses also illegally tried to charge clients to be on the waiting list for the subsidy. In order to receive a state subsidy you had to hand over a car older than 10 years for disposal, then you could purchase a new car for about €2,000 cheaper; half of this amount was given by the state, and half was a discount from the dealer.

Not all people were able to purchase a new car right away; they will have to wait several weeks or months due to increased interest in cars. The effects of the subsidy were already evident in growing car sales, which registered a sudden decrease at the beginning of the year due to the world financial crisis. ■

No scrapping bonus in CR, yet

The Czech Republic will not introduce a car scrapping subsidy this year because domestic carmakers do not need it, outgoing Premier Mirek Topolánek (Civic Democrat, ODS) said in an interview for daily *Mladá fronta Dnes*. Finance Minister Miroslav Kalousek (Christian Democrat, KDU-ČSL) also prefers that a car scrapping plan not be introduced this year. The Social Democrats (ČSSD) however, insist on the car scrapping subsidy and want it to be introduced in the country in the autumn, ČSSD chairman Jiří Paroubek said in a discussion program on commercial station TV Prima.

Toyota pulls into new headquarters

Toyota Motor Czech has a new headquarters in Prague. Tadashi Arashima, the president of Toyota Motor Europe, opened the Bavorska street building in Prague 13 at the beginning of April. The three-story building takes up 1,500 sqm and was built on 13,000 sqm of land during 12 months. The new building will also house Toyota Financial Services and a training center, as well as a cafeteria and underground parking. "The investment was Kč 300 million; our company paid it from our resources," said Tomáš Vaněk, spokesman of the firm.

Telesto wants to buy Saturn

Investment group Telesto Ventures said it wants to acquire retail operations of the Saturn car brand and provide dealers with vehicles from General Motors Corporation through 2011 and from mostly overseas manufacturers thereafter. GM spokesman Steve Janisse said the group's proposal is legitimate and "very interesting." "I can tell you this is one of the interested parties with Saturn, and we have been working with them throughout this process," Janisse said. "There are other interested parties as well who we're working with. But I can't speculate on where all this will go," he added. Telesto spokesman John Pappanastos said his group is in discussions with several unnamed foreign manufacturers. He added that Telesto includes a private equity firm, Black Oak Partners, based in Oklahoma City, and several other investors. It is unclear how much money is backing Telesto and what auto experience the group has.

Slovakia may get VW's up! production

As German carmaker Volkswagen nears a decision on where its up! minicar family will be built, sources close to VW CEO Martin Winterkorn said that the company's Bratislava, Slovakia, plant will get the nod. Both the supervisory and management boards want to wrap up discussions on the project at VW's annual meeting April 23. The preference for Bratislava is a result of the industry crisis. The initial plan was to build the vehicles at a Škoda Auto plant in Vrchlaby, Czech Republic. But the exchange rate for Czech currency has fluctuated wildly, upsetting VW's plans. Slovakia, like Germany, uses the euro. Škoda has meanwhile launched a cost-cutting program. ■

TECHNOLOGY



Martin Siebert

‘Unbalanced’ telecommunications market causes debate

An alliance of fixed-line telecommunications operators and the Association of Cable and Telecommunication Network Operators (APKT) has come together to voice their support for proposed amendments to laws regulating access to mobile communications networks.

BY NICHOLAS EDWARDS

They claim that under the current regulations, mobile operators have fair access to their fixed-line networks, whereas mobile operators are able to impede competitors from gaining access to mobile networks. The APKT and fixed line operators claim that this situation is the cause of the relative lack of competition on the Czech mobile market and comparatively high rates for mobile services.

The APKT, whose members include

mostly regional and municipal cable TV, Internet and fixed-line telephony providers, along with nationwide fixed-line operators **České Radiokomunikace**, **Volný** and **GTS Novera** recently held a press conference in Prague to explain what they claim to be unbalanced regulations for fixed-line networks and mobile networks, which they say mobile operators are exploiting for their competitive advantage.

When mobile telephone services became widespread, mobile networks were technologically totally independent from fixed-line networks and as such were regulated as separate entities. This all changed, ►

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however, with the emergence of Internet protocol (IP), which among other capabilities, enables digitalization of voice into compressed packets which can be sent both through wire networks and digital wireless networks. This paved the way for so-called fixed-mobile convergence (FMC), which includes capabilities of sending data via both types of network and between fixed-line terminals and mobile devices. There was much hype and great expectations surrounding FMC services over the past six years at least, and now that protocol and format standards have been agreed upon and quality issues overcome, services such as mobile television are finally becoming widely available.

While communication technologies have developed at a quick pace, Czech laws regulating communications services no longer accommodate for the scope of services provided by fixed-line operators, mobile operators and Internet service providers (ISPs). Therefore, amendments to the Law on Electronic Communications have been put forward in the Parliament. Crucially, the proposed amendments call for wider powers for the regulator, the Czech Telecom Office (ČTÚ), in order to ensure equal and open access to all networks, both fixed and mobile, whereas at present, the law only prescribes interconnection between fixed and mobile networks.

At an April 8 press conference, the APKT and České Radiokomunikace, Volný and GTS Novera endorsed the proposed amendments and issued a statement saying that failure to pass them would amount to a contradiction with the European Commission's framework guidelines. According to the joint statement, the EC guidelines state that "the national regulator is obliged to attempt to develop conditions for fair competition and create room for technological development." The APKT and fixed-line operators also said the proposed amendments would create equal conditions for both fixed and mobile operators, create more competition and subsequently benefit consumers. Failure to do so, they say, would perpetuate the imbalance in favor of mobile operators.

"For historical reasons, regulators defined fixed and mobile markets as separate [ones] that don't influence one another. It is obvious that the difference has already disappeared," Miloš Mastník, head of the commercial support division of GTS Novera, told *CBW*. According to Mastník, because the current regulations work in their favor, all mobile operators in the Czech Republic are opposed to the proposed amendments that have been put before the Chamber of Deputies.



Mixed signals

Přemysl Klíma, a spokesman for APKT, told *CBW* that the Czech Republic is one of the few countries in the European Union without any so-called mobile virtual network operators (MVNO). "For example there are about 20 MVNOs in Germany and about 10 in Austria. In the Czech Republic, while all mobile operators can offer fixed services, fixed operators are not able to offer mobile services," Klíma said. An MVNO is a company that doesn't have its own licensed radio spectrum frequency allocation, and often they don't have any telecommunications infrastructure at all except for billing technology. MVNOs buy wholesale call time and capacity from established mobile operators. Typically MVNOs are household brand names that leverage their brand and marketing skills to attract customers. Large European MVNOs include the **Virgin Group's** Virgin Mobile in the UK and France and **Tchibo** mobil in Germany, a brand traditionally associated with coffee.



Miloš Mastník

Representatives of mobile operators in the Czech Republic dispute the APKT's and fixed operators' claims that the current regulations work in their favor. "In our view there is no unbal-

anced market situation in the Czech Republic; nor are there unequal conditions for mobile and fixed operators here," Martina Kemrová, a spokeswoman for **T-Mobile Czech Republic** said. Kemrová claims that regulations for fixed and mobile networks were established fairly. "All mobile networks and all other fixed networks have been built in a fully competitive environment. This is the key reason the ČTÚ does not impose access obligations upon non-incumbent [meaning fixed] networks."

At the same time Kemrová does admit there are differences in the regulations. "The main reason there is regulated access to a network of a fixed incumbent—not 'fixed networks' in general—is due to legacy issues. The fixed network was established in the monopoly era, when the other currently competing operators and providers could not build their own infrastructure," Kemrová said. She also claims that not a single MVNO gained access to mobile networks as a result of intervention by a national regulator.

Kemrová gives another reason for the differences in regulation between fixed and mobile networks in the Czech Republic. "First, frequency spectrum is a scarce resource in the hands of state, which decides, based on the expected demand and efficiency of use, how many players there should be on the market." Moreover, she

says, establishing and operating a mobile network is an extremely investment-demanding business and there is a finite number of companies that can make such a huge investment, she said. She also insists that the mobile origination and access markets in the Czech Republic are fully competitive. "The EU regulatory framework is based on the following process: the national regulator carries out relevant market analysis. Markets are pre-defined by the European Commission (EC) and if a market is not competitive, significant market players are identified and remedies or obligations are imposed on them." According to Kemrová, no mobile origination and access market is predefined by the EC, because she says the EC and all EU national regulators, including the Czech Republic, have found these markets to be fully competitive.

She says that full market analysis of all mobile operators in the country must be conducted before access obligations are introduced. Moreover, Kemrová claims that if full access to mobile networks is granted without such analysis, it would contravene the EU directives. "If this clause is incorporated into the Czech law, it would breach EU legislation—in contradiction with the Framework and Access Directive—and the Czech Republic would be liable to infringement from the EC," Kemrová said. She points to Poland where legislators imposed access obligation upon operators without market analysis. "The EC concluded that this part of the law was in breach of EU legislation and started infringement proceedings."

However, the representatives of fixed telephony networks rebut such arguments. "The Czech Republic needs accessibility of fixed and mobile markets on a wholesale regime. All services for all parties," APKT's Klíma said. The APKT says that failure to pass the amendments would result in inconsistencies with the general directives of the European Commission.

Ultimately, according to the fixed-line operators, it is the consumer who is losing out under the current regulations. "Since mobile operators are not forced to allow a wholesale approach to fixed operators, cable televisions or other providers of access to services, they exclude them by virtue of misusing the current regulation framework from fair competition for customers." This, they suggest, leads to "unnecessarily high prices for mobile services and prevents the development of converged services for customers," the fixed-line operators said in their statement.

If passed without prolonged delay by both the Chamber of Deputies and the Senate, the proposed amendments to the Law on Electronic Communications should come into effect by the end of the third quarter of 2009. The lower house is due to vote on the measures at the beginning of May. ■

Internet

Google's snapshots of Prague raise privacy issues

Search engine firm **Google** is now photographing the streets of Prague and its inhabitants. The images will become available online later in the year, but it remains to be seen whether the particularities of Czech privacy and individual rights laws will lead to litigation.

BY NICHOLAS EDWARDS

Of all the new Internet services and technologies that raise questions about collection of personal data and privacy issues, Google's new Street View service is proving the most controversial. This is because pictures of individuals and their property appear on the service without prior consent. At the same time, Street View and also other new Internet services are exposing discrepancies between privacy laws and advances in technology. As Google begins to photograph Prague and its inhabitants for display online, questions remain about the service's legality in the Czech Republic.

Street View is an extension of Google Earth. It enables users to access 360° views of streets at a level of about two meters off the ground. To date, Street View is available for practically all large cities and areas of interest in the U.S., and with lesser levels of coverage, also the UK, the Netherlands, France, Italy, Spain, Australia, New Zealand and Japan. While this could seem like a natural progression in the technology of mapping, much has been said about privacy issues, and the innovation has caused anger and complaints.

The images for Google Street View are gathered by cars with cameras mounted on top that take panoramic photographs as the car moves. The images are then joined up to form a virtual experience of being on street level. Street View, which first appeared in May 2007 with images of New York City, is scheduled for launch in the Czech Republic by the end of this year and the company has said it will begin photographing the Czech capital when the weather is suitable: Google says they require a clear blue sky and a reasonably high sun for the imagery to remain consistent.



Courtesy of Google

Faced with generally more stringent privacy laws in Europe, Google has developed a tool that automatically detects faces and car registration numbers in pictures and blurs them, supposedly making them unrecognizable. This technology is extremely advanced, according to Peter Fleischer (*pictured*), Google's global privacy counsel. He said the press has focused on negative issues surrounding Street View and ignored its technological achievements. "People talk about privacy, but not the technology," Fleischer told *CBW*. The face-blurring system is a so-called learning software application that self corrects when mistakes are spotted. This means it is improving but can never guarantee 100 percent accuracy. If it misses a face, there is a simple tool that enables users to report unblurred images. Google then manually verifies and blurs the image appropriately. People also reserve the right to have their property blurred if they wish, and sensitive governmental installations are unavailable.

Fleischer said that Street View is simply a mapping tool, not an Orwellian system of control. "It's not meant to be a fundamentalist tool that photographs every inch of every city. It's a tool that essentially lets people see the information they would see if they were in a car driving down the ➤

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street.” He said that Street Map is like many tools: It has its intended uses, but it can be abused. “It’s a tool that gives people access to information and what people do with the tools is up to them. ... Of course people will misuse information for bad purposes.”

Issues with privacy laws

However, the collection and publication of private and personal images will undoubtedly lead to issues with privacy laws in the Czech Republic, said Filip Pospíšil, a privacy expert with the human rights watchdog Iuridicum Remedium. “These concerns are well known to Google and the company representatives have tried to scale them down by promising blurring faces and car number plates. We don’t think this is a completely satisfactory solution,” Pospíšil told *CBW*, adding that concerns remain that from certain angles and distances people can still be identified even with their faces blurred.

However, Michal Nulíček, a specialist in intellectual property with the law firm **Lovells (Prague)** says that Google Street View appears to adhere to current privacy laws thanks to the blurred face tool and the reporting tool for omissions. “If such privacy safeguards are in place, Google services such as Google Street View may not necessarily breach Czech laws on protection of privacy and personal data,” Nulíček told *CBW*.

Despite his reservations about Street View, Pospíšil said he believes that there are more pressing matters regarding personal privacy on the Internet. “We consider storing and processing of users individual search histories for several months especially privacy intrusive and dangerous,” said Pospíšil.

Czech privacy laws adhere to the EU Privacy Directive that was written in 1995,

though since then technology has emerged which raises issues unforeseen 14 years ago. “As is usual, everyday reality and technical progress is ahead of the legislator,” said Milana Chamberlain, a partner at law firm **Norton Rose**. According to Chamberlain, all that can be done in the given situation is to amend the relevant laws, which is less necessary where legislation contains general provisions, or interpret the existing ones.



“In the Czech Republic, the fundamental principles related to privacy of private individuals can be found in the Charter of Rights and Freedoms which forms a part of the Czech constitutional order,” Chamberlain said. According to the charter, every individual is entitled to protection against unauthorized interference in his or her personal and family life and against “unauthorized collection, publication or other misuse of his or her personal data,” Chamberlain said. She points out, however, that the privacy clause in the Czech Constitution may conflict with the European Convention on Human Rights, which the country signed, and states the individual’s freedom to hold opinions and receive and impart information without interference by public authority. “In our view

the borderline [between personal freedoms and protection of privacy] is very subjective and depends on when people start to feel offended by the fact that their face appears on the internet without their consent or when they suffer harm because somebody saw them where they did not want to be seen,” Chamberlain said.

Lovells’ Nulíček said the current laws are sufficient. “I think that the relevant provisions of the Czech Civil Code are written in sufficiently wide terms to cover intrusions of privacy by modern technologies including Internet and satellite photography,” Nulíček told *CBW*. Also, Nulíček points out the Law on Protection of Personal Data was adopted in 2000 and is written in relatively broad terms to cover intrusions of privacy by modern technologies.

It seems that with the opaque overlap between rights to privacy and personal freedoms, no human rights watchdogs, let alone state bodies, are preparing to challenge Google on legal grounds. Nevertheless, Chamberlain says that individuals who prove that their privacy has been infringed upon may have a chance of successfully suing Google. “It would be enough for a neighbor to recognize his/her neighbor with a blurred face in the street where he/she lives. ... Under these circumstances the photograph accessible through Google Street View would, strictly speaking, contain personal data,” Chamberlain said, adding that in such circumstances Google might be liable for damages. However, Chamberlain said he thinks such libel cases would stand little chance of standing up in court, “unless the relevant person who feels injured is very famous and a readily identifiable personality,” Chamberlain said. ■

Communication matters

Scared and guilty consumers will buy more security software

The consumer goods producers know that if they want to sell a significant amount of their wares they will have to advertise. And the best strategy is to scare people into buying a particular item or make them buy it out of guilt.

Nowhere is it truer than among security software producers. Last week both of these tactics were put into practice by two big players in this field.

First, **Symantec Corporation** published a classical scary study about security trends that mapped

malicious activity, threat activity and cyber crime. Naturally, the results suggest that there is more bad software out there than ever before. Even unskilled crooks are now able to stage online attacks on both personal and business computers. Therefore people should buy more antivirus and security programs.

Rival **McAfee**, however, came up with a more innovative approach. Their study reveals the carbon footprint of spam e-mails. Last year alone some 62 trillion spam messages were

sent. Apparently, the carbon emission directly or indirectly caused by transmitting, reading and deleting spam consumes up to 33 billion kilowatt hours of energy. That is equal to the power needed to supply 2.4 million homes with electricity. The energy needed to create and process all that spam equals the emissions of 3.1 million cars running on 2 billion gallons of gasoline. Those figures should naturally bully every computer user with a green conscience into buying anti-spam software. Just one spam message produces some 0.3 grams of carbon



Pavla **Kozáková**

dioxide that is released into the atmosphere. That equals driving 3 feet in a car.

McAfee overlooks the obvious question of whether we would actually decrease the emission from our computers if we did not deal with spam. They just assume that if we let the anti-spam program to take care of the unsolicited mail we would turn the computers off sooner, a highly unlikely result. The security software makers will, however, not be bothered with such thoughts. They just want us to buy more stuff from them. ■

Real Estate Briefs

New shopping centers delayed or canceled

Construction of new shopping centers in the Czech Republic and the rest of Europe has been significantly delayed because developers postponed or canceled a number of projects, according to data from real estate consultancy **Cushman & Wakefield**.

BY KAMILA JUŠKOVÁ

Expansion of existing area has also slowed. The total completion of extensions to existing centers was circa 46,000 sqm and the total area of this retail category in the Czech Republic has reached almost 1.95 million sqm. "Planned development of shopping centers for 2009 has been reduced significantly. Updated developer's plans talk about 150,000 sqm of new floorspace including extensions of the current schemes. Twelve months ago these plans were 40 percent higher, for almost 250,000 sqm of new floorspace in 15 shopping centers," Martin Žižala, head of the retail department Cushman & Wakefield in Prague, said in a press release.

"The forecast for 2010 suggests 380,000 sqm of new floorspace to be opened, but financing for some of these schemes is unclear at the current time," Žižala said.

But financing for 2009 should already be settled. "Developers who seriously intended to open a new scheme this year shouldn't have a problem with financing it because this [finance] must have been secured before the economic crisis. The determination of banks to finance new shopping centers will be tested by the new projects planned through the course of 2010 and 2011," said Alexander Rafajlovič, head of Cushman & Wakefield's research team.

The situation for shopping centers is similar across all of Europe. Cushman & Wakefield in its report European Shopping Center Development said it expects around 10 million sqm of new shopping center space to open across Europe in 2009, some 40 percent less

than forecast in July 2008, with an even lower amount of 7 million sqm now expected to open in 2010. This would represent the slowest rate of expansion since 2005 and would bring an end to five consecutive years of growth in shopping center development. 2008 was a record year for shopping centers openings in Europe, with over 9 million sqm of new shopping center space opening in 310 projects. Russia led the way with 1.65 million sqm of new space followed by Turkey, the UK, Spain and Romania.



Martin Siebert

Nevertheless, expectations for 2009 and 2010 have been sharply reduced as the combination of the financial crisis and global recession has resulted in weaker consumer sentiment, tougher financing requirements, and reduced developer confidence. In particular, emerging markets like Russia, Ukraine, and to a lesser extent Turkey, will all be notably impacted. Whereas 12 months ago these three countries accounted for 58 percent of the total development pipeline, this has now fallen to just 22 percent. ■

Red group entered Prague

Investor and developer **Red group** has entered the Prague residential market for the first time with 22 luxury apartments created with a property in Prague 2, near Vyšehrad. The newly completed renovation of a former Art Nouveau printing house located on the corner of Svobodova and Na Děkance streets is also home to the recently opened four-star Park Inn Prague hotel. This project, called Residence Hermitage, is aimed at a customer base seeking modern living, but within a historical district of Prague.

Fashion Arena Outlet Center will expand by 36 stores

Construction of the second part Fashion Arena Outlet Center in Prague 10–Štěrboholý will be launched and will involve investment of Kč 160 million (€5.95 million). After completion, which is planned for next year, the sales area of Fashion Arena will increase to 25,000 square meters from the current 18,000 and the number of stores from 74 to approximately 110. Fashion Arena is the first large outlet center in Prague, and its construction total comes to Kč 2.7 billion. Planning and building permits came into legal force, and developers of **TK Development** and **LMS Outlets** confirmed that the construction will begin this year. Originally, in the second phase, 26 stores were to be built, but due to the great interest of vendors, the number increased by 10 small shops.

ČVUT will launch the construction of new building

Czech Technical University in Prague (ČVUT) will launch the construction of the new Faculty of Architecture building at the end of April. It will require an investment of up to Kč 1.2 billion. The building will be on the university grounds in Prague 6–Dejvice and is expected to be finished in October 2010. The building is designed for 1,800 students and will have 345 parking places. The general contractor is **Metrostav**. The general designer is **VPÚ Deco Praha**. For ČVUT, it is the largest construction project since 1985. ■

LIFESTYLE

Spain resounds in Prague

Tracing the influence of Spain on Bohemia from the Middle Ages to the Enlightenment, Prague Castle's exhibition Spanish Prague achieves its goal of uncovering "a resonance of Spain" in Bohemia.

BY TRACY A. BURNS

The exhibition is divided into the Middle Ages, the Renaissance and the Baroque. Especially catering to enthusiasts of Czech history, the exhibition tracks Spain's stamp on Bohemia in culture, fashion and religion.

The Middle Ages' connection between Spain and Bohemia was emphasized in the Way of St. James, a pilgrimage to Santiago de Compostela, the third holiest town in Christendom, following Jerusalem and Rome and where the saint's remains are located. One of the routes passed through Prague. Several Czech churches are even consecrated after Saint James the Greater. It is no surprise that the image of Saint James, locally referred to as Jakub, figures prominently in Czech artworks from that era.

In the statue of "St. James the Pilgrim" by J.J. Bendl, the saint's head is lowered to one side as his hand clutches a staff. His bushy beard and the individual pages of the book he holds in his other hand stand out as does the flowing garment he dons. A painted stained glass panel from the 15th century also features St. James as do an illuminated manuscript and an 18th century wood carving, where the saint is pictured with his arm confidently set on his hip and a halo over his head.

Norbert Grund also painted pilgrims in his landscapes, such as in "Wandering Family" from after 1755, in which pilgrims give directions to an elderly bent-over woman with a staff. In Václav Vavřínek Reiner's copy after the altar-piece "Decapitation and Glorification of St. James the Greater," created in the 19th century, the martyr's head, separated from his body, figures in the foreground as people in the distance look on. Angels escort him to heaven.

A bizarre depiction of St. James on a 16th century shield is seen in a work by an "un-

known imitator of Hieronymus Bosch." In the military parade the viewer can make out owls, a flapping standard, strange beasts and a man who has fallen on his stomach and has a bow and arrow on his back.

The next section deals with the reigns of Bohemian King Ferdinand I, born and educated in Spain, and Emperor Rudolf II, who was raised in Spain and encouraged Spanish customs in Prague. In this era, Spanish fashion made its way to Prague as many wore black tight clothes with a big white collar.

Large portraits are exhibited on the walls as Jaroslav Borzita of Martinice and Spanish Ambassador Juan de Borja y Castro are depicted in the traditional Spanish dress of black clothes and white ruffles. A gold monstrance is displayed nearby, as are a Spanish-made rifle and pistol. An anonymous copier from the first half of the 17th century created "Hearing of the Greater Provincial Court in Prague in the Presence of the Emperor Rudolf II." All figures are in Spanish garb; some stand at the sides on a red carpet while others are involved in a heated debate in the foreground. A crowned Rudolf II sits on the throne in the center.

"The Virgin Mary of Montserrat with the Infant Jesus on the Throne" is an intriguing polychrome wood statue; a large star-studded halo shines behind the Virgin's head. Baby Jesus dons an exquisite silver crown. Mary is clad in a blue-and-gold shawl and a red-gold dress. Jesus holds up two fingers on one hand in blessing. Both the Virgin Mary and Jesus grip golden orbs. The back of the throne features elaborate circular patterns.

Josef S. And Johann B. Klauber depicted the Battle of White Mountain in a copper plate engraving from 1758. Soldiers ride horses into the horizon, and a young boy is about to fire a canon. Spain was involved in this 1620 battle as it offered financial support to the Catholics, and Spanish officers



Statues of religious figures rank among Spain's biggest contribution to Czech culture.





Baltasar Marradas i Vich was military governor of Bohemia.

EXHIBITION

fought in the major skirmish. Marking the end of the Thirty Years' War, this battle saw the defeat of the Protestant party. Shortly after this battle the Baroque period in Bohemia began.

The exhibition continues into the Baroque period during which Spanish General Baltasar Marradas i Vich became military governor of Prague and Bohemia. Spain had a strong religious influence on Bohemia as its countrymen became active in Czech monasteries. St. Francis Xavier and St. Francesco Borgia, two saints with Spanish roots, are depicted in statues on the Charles Bridge.

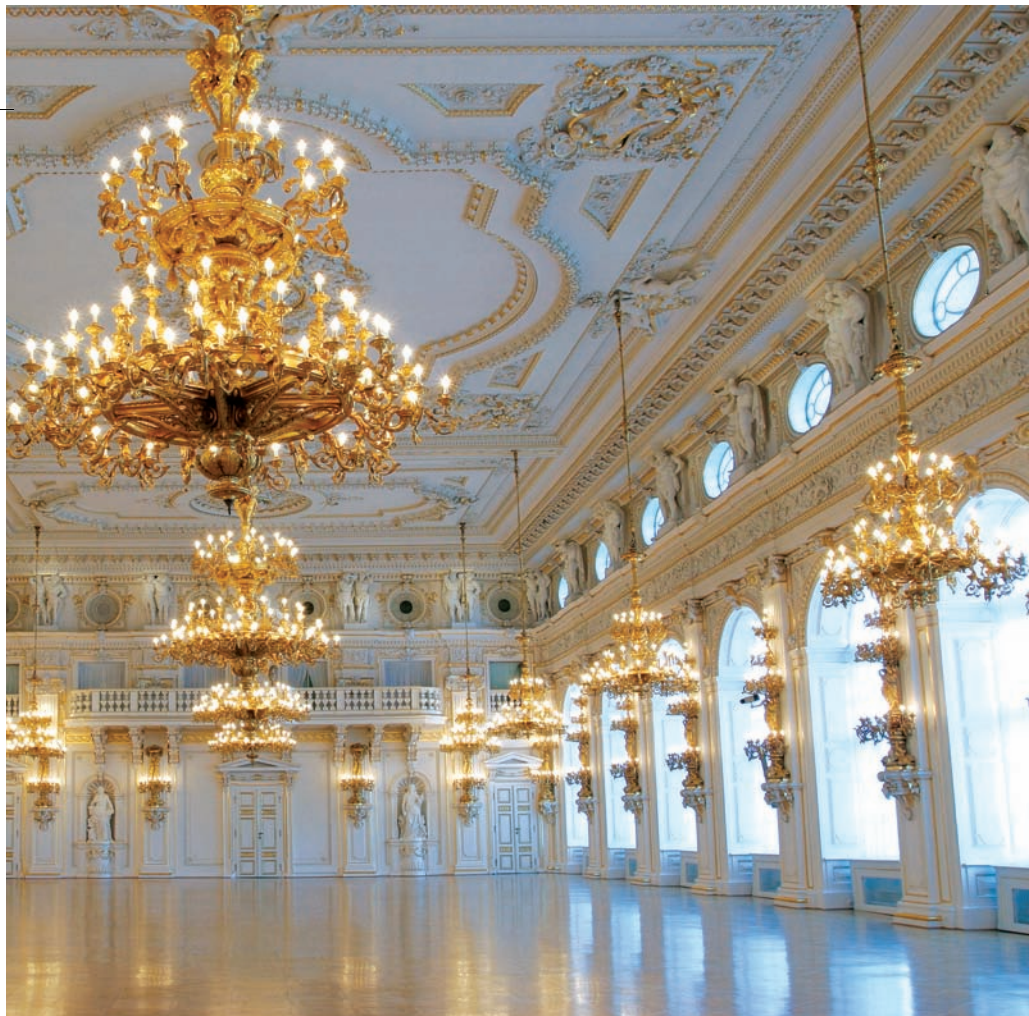
In the polychrome wood statue "Christ from Medinaceli" from around 1700, a red-clad Christ has his arms crossed in perhaps defiance as drops of blood drip down his face. Behind him golden lines radiating outward from a center point create a huge halo. In one mammoth-sized painting by Jan Jiří Heinsch, called "Apotheosis of St. Francis Xavier" from 1710, the saint holds up a cross while ships float in the background. A cherub holds open a page of a book in Latin, and another hold a crab. Still other cherubs gaze at the saint.

A large painting by Jean Rudolf Bys, "St. John of God Treating a Sick Man (and Madonna with Infant Jesus)" is dated 1691. Here St. John looks up at the Virgin Mary as Jesus tries to squirm out of his mother's lap. The sick man at the bottom of the painting has his head wrapped in cloth and appears to have no strength at all. The faces and upper bodies of two cherubs gaze at the sick man.

Clothes for a figure of the infant Jesus, donated by the Emperor Ferdinand III, feature red brocade with golden and silver embroidery as Jesus' long red dress includes exquisite golden patterns and golden sleeves.

Among the prints on display is the "Victory of Juan de Austria over Turks in 1571 (Battle of Lepanto)" with angels watching from a cloud the sinking ships. Many sails have ragged holes in them. One ship lurches to one side in the choppy waters. Some people have taken refuge on a dinghy.

The exhibition, well worth visiting, includes Spanish books from the 16th century that are in Czech collections as well. ■



The Spanish Hall at Prague Castle shows ornate Baroque influence.

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Soviet invasion's victims finally have **stories told**

Most large-format illustrated books about Prague concentrate on historical architecture, and coffee table books in general provide fodder for polite after-dinner conversation with guests.

BY RAYMOND JOHNSTON

“Victims of the Occupation” may surprise readers with its unvarnished account of the Soviet invasion of 1968. The photos also push beyond the often-seen images of people holding flags to show crime-scene investigation photos and rare, sometimes disturbing images of Czechs and Slovaks killed by Soviet soldiers.

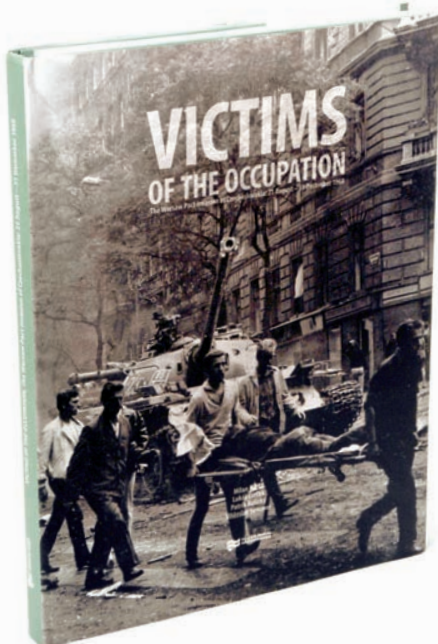
The book, published by Institute for the Study of Totalitarianism (ÚSTR ČR), is quite comprehensive, with chapters covering Prague and each of the former regions of Czechoslovakia. It lists, as far as can be currently determined, all of the people who died as a result of the invasion.

Many people skip the introduction of a book, and head right for the main part. That would be a mistake. The four credited authors compiled a wealth of background information, citing many documents and institutions. So far, there have been few good sources in English about the invasion. Western media has tended to focus on Vietnam War protests and events in Paris when talking about 1968. The introduction helps to fill in a lot of gaps left by the sketchy accounts in most other books.

Prague takes up the largest part, with the most varied stories and wide array of black-and-white and color pictures of Wenceslas Square and the headquarters of broadcaster Československý rozhlas.

For other areas such as West Bohemia, which had fewer fatalities, there are just a handful of pictures and stories. But the book does succeed in showing that no area was completely spared. Some of the more interesting pictures show signs, leaflets and graffiti protesting the invasion.

A brief biography of each of the fatalities follows a general account of the events in each area. Too often we read about deaths in numbers, losing sight of the individual cases. The book shows who the people behind the statistics actually were. For those



whose families were involved, it is still a difficult subject. “Some of [the relatives of victims] refused to speak with us because the theme is still very painful for them,” Lukáš Cvrček, one of the book’s authors, told *CBW* in an e-mail.

Research for the book wasn’t simple. “It took approximately six months. ... We searched archives, made interviews with relatives of the victims and eyewitnesses. We also studied books and newspapers in libraries,” Cvrček said. But not everyone was cooperative. “It was impossible for us to get information about the invasion from Russian archives,” he said.

Few soldiers held accountable

Often, the Soviet troops responsible for the deaths went unpunished. “We know that three Russian soldiers and one Polish soldier were convicted. Mostly we don’t know the names of the murderers; they were protected by their officers and frequently deported from Czechoslovakia,” Cvrček said.

When possible, pictures of the vic-

tims are included—often wedding pictures or ID card photos. The stories build a panorama of random people and random causes of death. While some were shot, many were victims of traffic mishaps, failing to yield the right of way. Some just were curious to see the tanks and stood too close, getting caught by the treads of a military vehicle that refused to stop. Some stories are mundane, others reminiscent of pulp fiction. A man in North Bohemia was shot by a deserter who stole his car and then crashed it fleeing from the scene of the crime. Other victims went to investigate the sounds of shooting, and wound up being shot as well, with no explanation ever given. Unsolvable mysteries still remain: Somebody released the brake on a truck near the Československý rozhlas building, sending it plunging into the crowd.

In Brno, two people died when a soldier tried to restore order by shooting, but without looking where his gun was pointed. Another incident recounts a soldier shooting at a man in a car, and then shooting at the ambulance that came to the scene. In Slovakia, a young man tried to stop tanks by getting in front of them, similar to the famous 1989 photo of Tiananmen Square. But in 1968 in Zvolen the tanks didn’t stop.

During the period that followed the invasion, it was impossible to discuss the subject. That is why detailed information is only coming to light some 40 years after the events. “We want to commemorate people who died by the hands of occupation armies. ... After 1989 historians started to research Prague Spring. However the problem of the victims was still overlooked, maybe due to lack of information,” Cvrček said.

The book is sobering reading for those willing to put in the effort to do more than glance the pictures. ■



VICTIMS OF THE OCCUPATION

The Warsaw Pact Invasion of Czechoslovakia:
21 August – 31 December 1968
by Milan Bárta, Lukáš Cvrček, Patrik Košícký, Vítězslav Sommer
192 pages; Kč 290
Available at bookstores and online at www.kosmas.cz

National hockey team **now hiring**

Should things have gone according to the original plan, Czech national hockey team head coach Vladimír Růžička would have a star-studded list of candidates to play at the upcoming World Championship in Switzerland April 24–May 10. And he would be fine-tuning the teamwork in order for the Czech team to return to the top spot on the championship's podium.

BY TEREZA TOMÍČKOVÁ

Instead, however, Růžička (*pictured*) now holds a star-studded list of players. But they are those that will miss the tournament. And he's bouncing questions from media on whether or not he is afraid of failure in Switzerland. "I'm not afraid of anything, although I certainly thought putting the team together would be easier," Růžička said.

He demonstrated the difficulties with forming the team on the the example of the defense.

"Originally, I counted with about seven defensemen from the NHL. ... The reality is that I can now firmly count on merely one," Růžička said.

Some of the key defensemen who in the past backed the Czech team en route to medals in major international tournaments rejected the offer to travel to Switzerland due to injuries or because their North America-based National Hockey League (NHL) employers did not recommend their participation.

When Tampa Bay Lightning defenseman Lukáš Krajíček turned down Růžička's invitation April 15, Czech team manager Martin Urban could only hardly hide his frustration. "It's still the same story, he's picked some minor injury," Urban noted.

Perhaps the biggest blow for Růžička was Florida Panthers goalie Tomáš Vokoun's decision not to join the Czech team. Vokoun is at the moment the only Czech hockey goalie with major international experience and he was a clear No. 1 choice for the coach. Vokoun said his weaker form in the final rounds of the NHL regulation season was at the root of his refusal to travel to the championship. Růžička admitted he had feared Vokoun's refusal.

"I wished him to go, but my God voice was telling me that he would not. I could've convinced him perhaps only if I had boarded a plane and flew over to Florida. ... but I did not have time to do that," Růžička said.

The Jágr factor

For a while, it looked like the upcoming World Championship will mark a comeback of Czech hockey's golden generation to the national team. The last time the Czechs won the World Championship was in 2005 in Vienna, and Růžička was then at the helm of

the team. After that tournament, however, he stepped down as the national team head coach as he wanted to fully focus on his work as the head coach and general manager in Extraliga club HC Slavia Praha.

His successor on the Czech bench, Alois Hadamczik, led the national team to bronze medals at the 2006 Turin Olympics and to silver medals at the 2006 World Championship. However, Hadamczik reportedly had only a little respect from NHL-based star players, who after the Olympics quit the national team. Among them were star forwards Jaromír Jágr, Martin Straka and Martin Ručinský.

Repeated failure of the Czech team to advance past the quarterfinals at the last two World Championships brought about Hadamczik's dismissal. And the Czech Ice Hockey Association (ČSLH) then re-appointed Růžička as the head coach last summer in order to revive the golden generation.

"At the moment, I cannot see a stronger character in our hockey to stand at the helm of the national team," ČSLH President Tomáš Král said at the time.

Růžička immediately declared his intention to bring back some of the past heroes, including Jágr. Jágr's surprising move from the New York Rangers to Russia's Avangard Omsk last summer enabled Růžička to fulfill his commitment to bring back Jágr. The 36-year old star confirmed he was ready to play in Switzerland.

Jágr's participation had been anticipated to become a lure for other star players, too.

"It's a great challenge to play on a team with Jágr," said forward Tomáš Rolinek.

Still, this did not convince his long-time line-mate at the Rangers, Martin Straka, to rejoin the national team. "There's nothing to talk about," Straka said when asked about his possible comeback.

Jágr admitted the large amount of players' refusals was not good news for the team or for the fans. "On the other hand, the championship could become an opportunity for other players to prove their skills," he added.

Czech team manager Urban said the coaches were ready to add some NHL players to the lineup during the championship. Those would be players from NHL teams that will be eliminated in the early rounds of the Stanley Cup. "We could leave up to four vacancies in the lineup for some additional NHL boosts," Urban said. ■



LIFESTYLE



Martin Siebert

Hectic Italian **experience** in Prague Como

Long-awaited spring weather recently brought both tourists and locals out to Prague streets, in quest of some sunshine. In this mild weather, heading for lunch to the newly opened Como Mediterranean Restaurant & Café, with its flavor of Italian inspiration, seemed a brilliant idea. The venue features an outside terrace and central location. However, the new eatery proved that sometimes there is more to learn from Italy than the love of good food and wine—and not always in the best sense of the word.

BY CRISTINA MUNTEAN

The new venue is located at the ground floor of the Hotel Jalta, serving as its main restaurant in the middle of the Wenceslas Square in Prague 1. A few steps from the National Museum and from Old Town's center

make the place an ideal spot for strolling tourists. Moreover, Como features a cozy outside terrace, highly sought after in spring by lunch goers tired of the darkness of classical Czech *hospodas*. The terrace is quite small, widely exposed to traffic noise and is untouched by the sun at noon.

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Except for its location, though, Como enjoys few other things that would make a local customer want to return. The closeness to the hotel entrance, the placement next to a casino and the hectic traffic outside make it a place to take a breath during a stroll rather than a cozy central venue.

Far away from the real Como

The hope for a sophisticated taste of Italian cuisine inspired by the name of the setting was soon dissipated by a look at the regular menu. Clearly designed for tourists, it includes various ordinary meals from starters, soups, grilled meat, pastas and desserts. It also features four courses of typical Czech cuisine. Decently priced for its location, Como doesn't shine through sophisticated. It rather goes for simple, comfortable meals that everyone is familiar with while it lacks refinement and delicate sophistication typical for the Italian cuisine.

However, the regular menu was paired with a special Easter menu that included more interesting items. It featured a selection of two meals, starters, soups, main courses and dessert. While my guest decided to try it, I wanted to have a taste of the regular Como menu.

In the Easter menu, prices ranged between Kč 195 (€7.2) and Kč 215 for a starter, Kč 85 for a parsley cream with garlic croutons and cumin mousse and Kč 95 for a soup with kefir, baby spinach and lamb meat. Main courses ranged between Kč 280 for a portion of spring chicken baked with rosemary butter and served with potato puree and confit garlic (Kč 280) and Kč 340 for a portion of grilled lamb meat with pasta served with baked pepper salad, eggplant puree and homemade Arab bread that the guest found tasty and well-cooked.

Desserts looked appealing, with a selection between the homemade Easter pastry with almonds and vanilla cream (Kč 120) and the novelette with pressed strawberries and Sabayon (Kč 135). The Easter menu showed an appetite for innovation that, together with accessible prices despite a central location might be a key for survival during the economic downturn.

Back to the regular menu, it quite failed to convince me to return to Como. The tomato soup with cheese ravioli (Kč 95) was fine, but it lacked personality. The menu also featured soups such as minestrone (Kč 85) or *kulajda* (Kč 85), a South Bohemian soup.

The menu also includes salads priced between Kč 185 and Kč 195 for a portion of green lettuce with goat cheese, for example. The price of grilled meat-based meals goes from Kč 295 for a 200 gram portion of rib eye steak to Kč 495 for 400 grams of lamb cutlets with herbs and garlic and to Kč 790 for a 400 gram portion of Chateaubriand for two.

Still hoping for a taste of Italy, I decided to go for pastas. The menu includes a selection from gnocchi with blue cheese sauce (Kč 195), traditional spaghetti beef Bolognese (Kč 265), lasagna Bolognese with beef and parmesan cheese (Kč 265) or fettuccine with crayfish and zucchini (Kč 295), which were rather tasty, but had no outstanding flavor.

The focus on tourists was emphasized by the inclusion of typical Czech meals in the menu; a portion of roast sirloin in cream sauce served with mixed bread dumplings was Kč 245 Kč and half a roast duck with cabbage and potato dumplings cost Kč 285.

The dessert list was quite extensive. It included a portion of strawberry pancakes with sabayon wine mousse (Kč 145), hot raspberries with vanilla ice cream (Kč 135), cake of the day (Kč 135) or a cheese plate (Kč 170). The fruit panna cotta (Kč

135) was a surprisingly tasty end for an otherwise dull culinary experience.

Maybe it can be fixed with a glass of wine

Compared to the food menu, Como's wine menu is quite extensive and features a wide array of prices. The bottle of white Bourgogne Chablis, Jean Pierre Grossot (Kč 1,180) was refreshing and light, emphasizing the pasta taste and the juicy, young lamb meat.

Como also features tapas—small snacks—in its regular menu. From cold tapas such as marinated goat cheese or anchovy filets with olives and cheese (both at Kč 60) or warm tapas such as jalapeño peppers stuffed with cheddar cheese (Kč 50) or gratin mussels (Kč 70) the menu speaks of the focus on foreign, in this case Spanish tourists. There is also a special offer of



Tomato soup with cheese ravioli.



Fettuccine with crayfish and zucchini.



Fruit panna cotta.

Evaluation

COMMENDABLE:

Central location,
outside terrace, special menu
adapted to seasonal events,
large variety of Czech
and international wines,
long opening hours.

NEEDS IMPROVEMENT:

Ordinary regular menu,
better staff management
and training.

a tapas set of any four tapas for Kč 200. The beer offer is based on a selection of draught Czech Pilsner Urquell and Radegast (Kč 39 for 0.3 liters, Kč 59 for 0.5 liters). A 0.2 liter soft drink reaches Kč 39, while a bottle of 0.33 liter mineral water goes for Kč 35. A classical espresso is priced at Kč 49. Thanks to the fact that the restaurant is open till after midnight, it also features a quite wide selection of cocktails and shakes. Maybe the list of drinks makes Como suitable for a stop for a drink rather than for an outstanding lunch or dinner.

Traditionally Italian—in a chaotic sense

Even though the Como staff was friendly, we couldn't stop noticing the terribly hectic behavior. It took more than 30 minutes to bring a starter and a soup. Moreover, several confused waiters came with various meals that we didn't order. A waiter took the order, another brought the meal and a third one eventually brought the drinks. Even though we ordered white wine that should be poured only in case the glass is empty to maintain a constant fresh temperature, the waiter kept topping up the glass.

At the end, not to spoil the general impression, the waiter forgot to bring us the bill and remembered us when we approached the bar for payment. This might have had an excuse if the restaurant had been full, but even at lunch time the terrace was almost empty.

Decorations inside made the environment look pretty modern. However, the dynamic music prevented hosts from truly relaxing. Moreover, the terrace tables are quite close to each other, limiting privacy. Even though Como can't be recommended for a solemn business lunch, it could pass for a light, cordial encounter—on condition that guests have infinite patience. ■

Prague hosts international energy awards

The winner of the Energy Globe World Award this year was Border Green Energy Team (BGET) from Myanmar. The international ceremony was held April 14 in Prague's Veletržní palác.

BGET found a way to supply hospitals in the border area between Myanmar and Thailand with solar energy, so now some 200,000 displaced persons can get medical treatment around the clock.

Projects that find sustainable use for resources such as water, earth, energy and air or use renewable energy forms are eligible to compete. This year, 15 projects were nominated.

Political VIPs at the gala event included outgoing Czech Prime Minister Mirek Topoláněk, EU Environment Commissioner Stavros Dimas, outgoing Czech Environment Minister Martin Bursík, and the environment ministers of the EU, European Free Trade Association (EFTA) and the EU candidates. The event was held as part of the Czech EU presidency. Awards were given in several categories: Earth, Fire, Water, Air and Youth.

The Energy Globe in the Fire category went BGET, which was also the overall winner. Chile's Step project, which collects and recycles electrical waste, won in the Earth category. A water supply project in Tanzania won in the Water category. In the Air category, a traffic concept for Burgos, Spain, won. The winner in the Youth category was the Rock in Rio project, promoting solar energy in Portuguese schools.

The Czech Republic was nominated in fire category. All houses of Měňany, Central Bohemia, are now supplied with heat from biomass. "Traditionally, we used very poor quality brown coal. ... So during the winter season, we have very bad air quality. That is why we competed in that category," said Jiří Bendl, a member of the strategy unit at the Ministry of the Environment.

The first Energy Globe Award was held 10 years ago as a private Austrian initiative, and today, more than 110 nations participated in this year's selection process.

The evening wasn't all serious. There was some entertainment with Canadian-born singer Nisha Kataria performing a cover of Michael Jackson's "Earth Song" and French-Belgian singer Viktor Lazlo interpreting "Begin the Beguine." ■



Prime Minister Mirek Topoláněk (second from right in the back) and Minister of the Environment Martin Bursík (third from left) meet with international youth.



Salinee Tavaranan (right) of the Border Green Energy Team accepted the top award.



Singer Nisha Kataria was among the entertainers.

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Propping it up may be a **tough job.**

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