

Report on the survey evaluating the Polish business environment and the Special Economic Zone system

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Japan External Trade Organization (JETRO) Warsaw Office

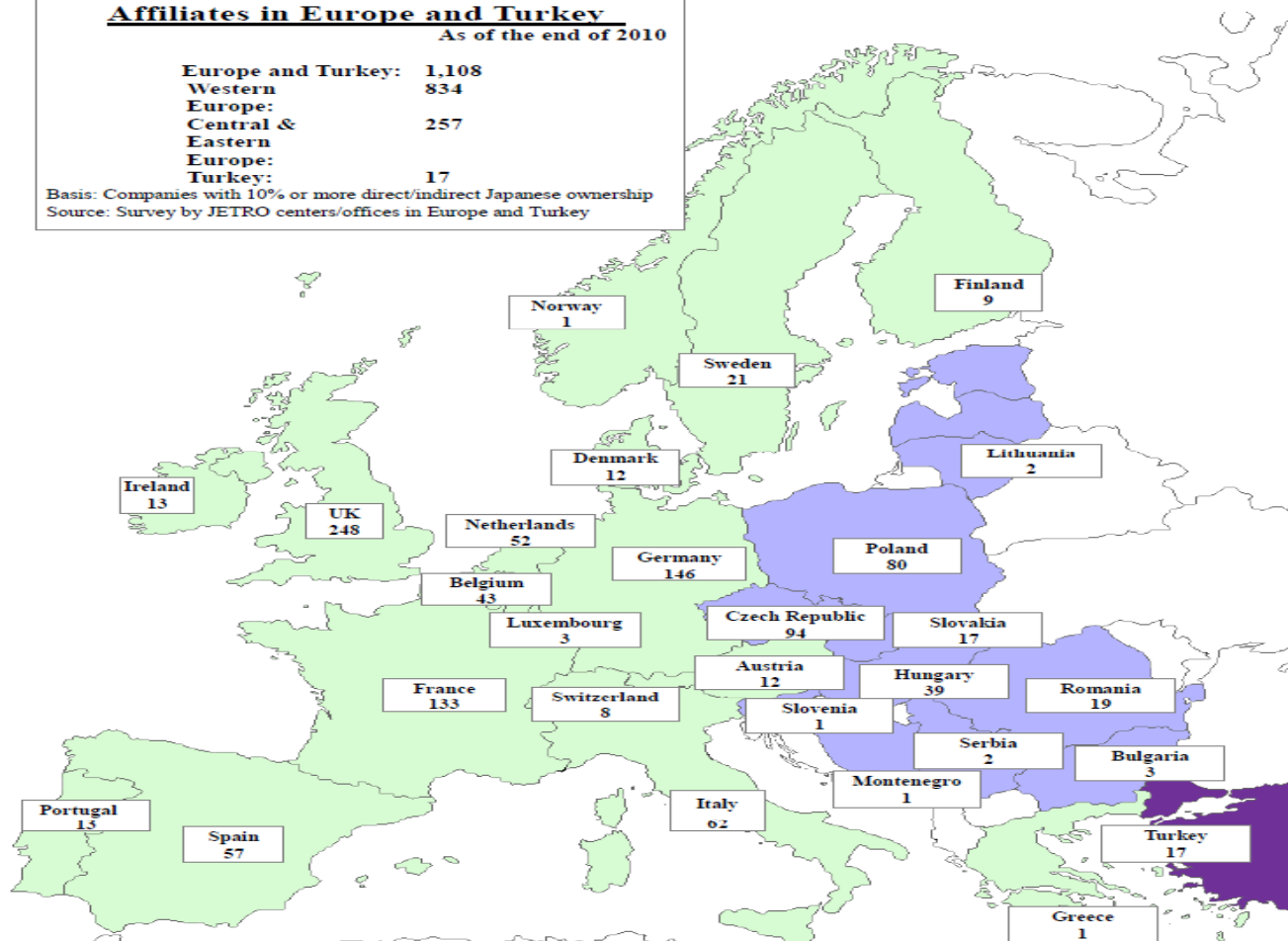
The Embassy of Japan in Poland

Number of Japanese Manufacturing Affiliates in Europe and Turkey

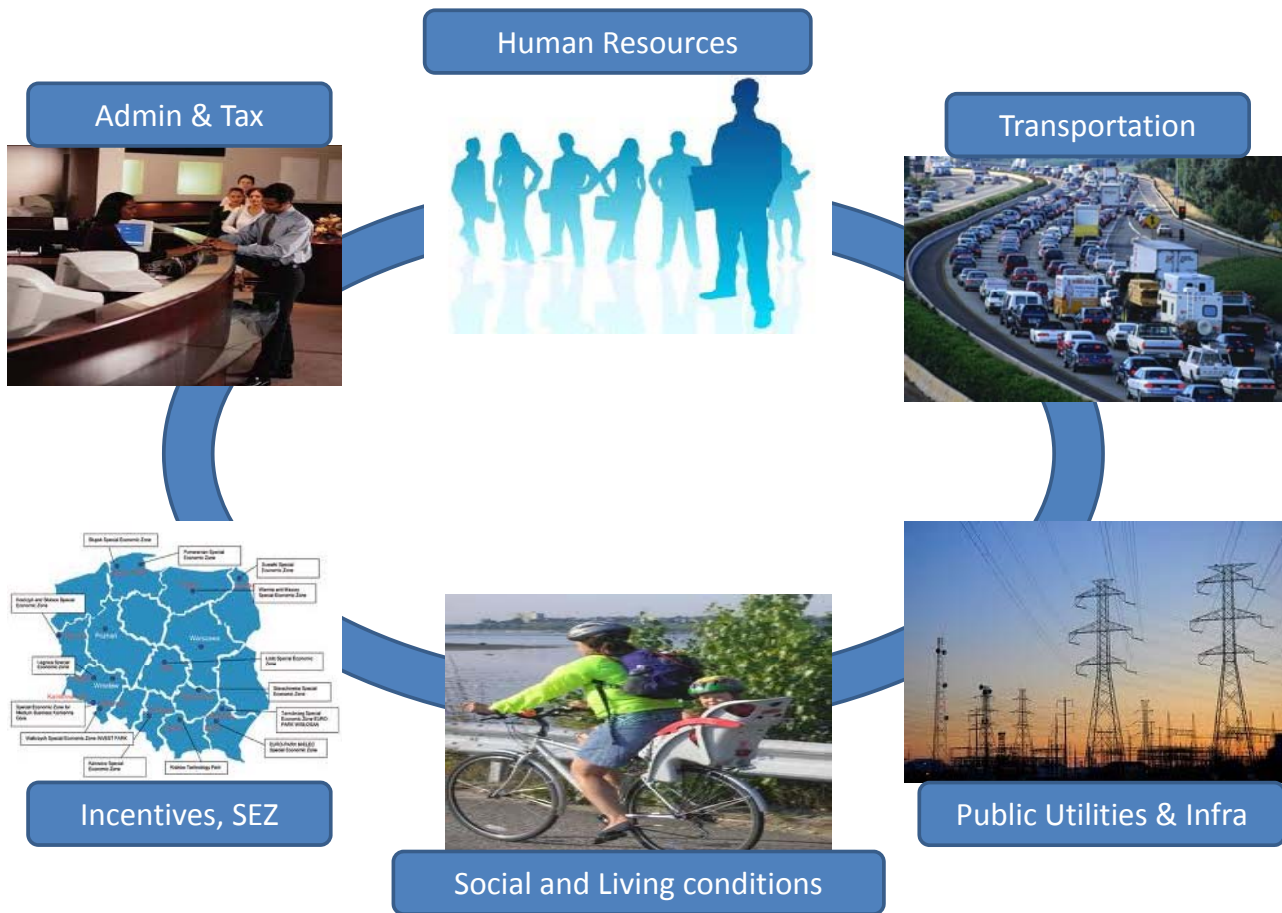
As of the end of 2010

Europe and Turkey:	1,108
Western Europe:	834
Central & Eastern Europe:	257
Turkey:	17

Basis: Companies with 10% or more direct/indirect Japanese ownership
Source: Survey by JETRO centers/offices in Europe and Turkey



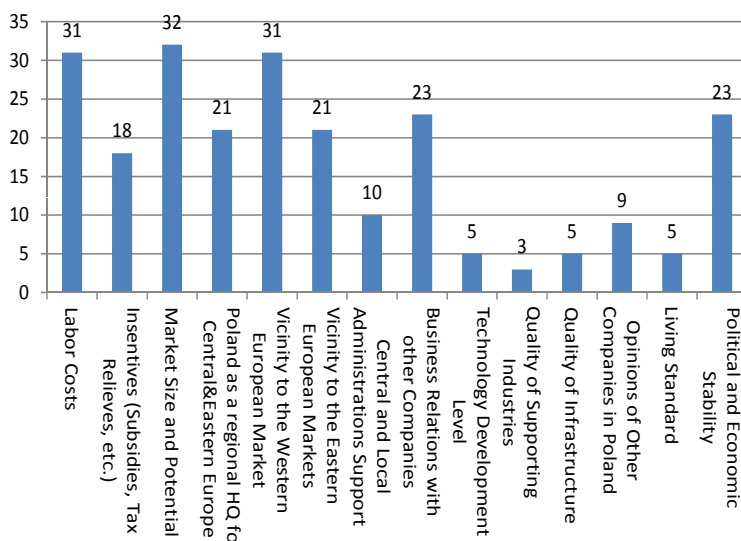
6 Crucial Elements for Japanese Investment



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Reasons for investing in Poland

Reasons for Investing in Poland



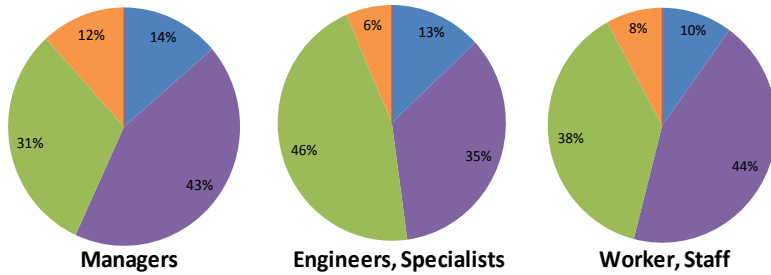
- Poland's attractiveness:
- market size and potential
 - geographical location
 - comparatively low labor costs
 - political and economic stability

- Large number (about 50%) of non-manufacturing companies regard Poland as the HQ for CEE region.
- Investment incentives, especially SEZ scheme, are significant for manufacturing companies. 75% of such companies invested in SEZ attracted by incentives.

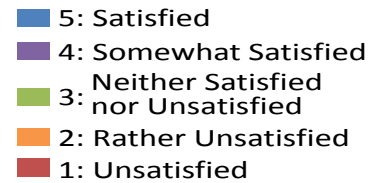
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Human resources

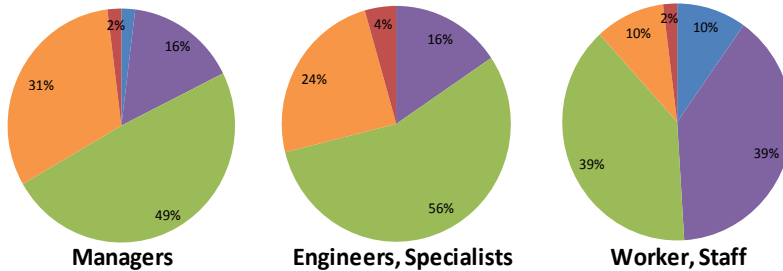
Quality of Human Resources



- The quality of Polish human resources is good. In each group of worker type the satisfaction level reaches 50%.
- Polish workers are seen as competent, responsible and diligent.



Availability of Human Resources



- The recruitment of workers and staff is not problematic.
- It is more and more difficult to find managers, engineers and specialists.

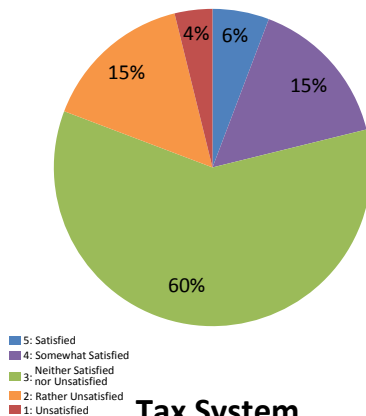
Issues of concern:

- ✧ Rapid wage increase
- ✧ Overuse of sick leave, easiness of obtaining sick leave
- ✧ Possibility of more flexible management of work time is expected

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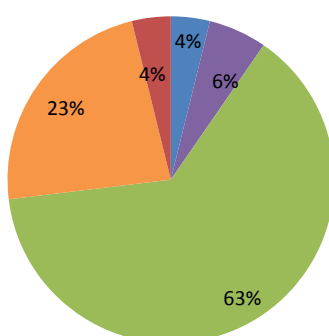
Public administration & tax system

Public Administration & Service



- Changes anticipated by investors:
 - simplification and shortening of administrative procedures
 - making regulations clear to avoid their different interpretations
 - allowing documents/applications to be filed in English
- Anticipation of improvement of administrative support not only for new investors, but also for companies which have already invested in Poland

Tax System

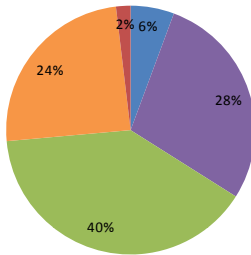


- Issues of concern:
 - complicated and unclear regulations which cause confusing interpretations of law
 - frequent changes of regulations
 - lengthy custom inspections
 - regulations not harmonized with EU standards
 - different enforcement of tax reduction by local authorities
- SEZ tax system
 - Positive: tax incentive for SEZ companies are well evaluated

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Public utilities infrastructure

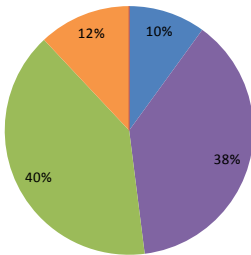
Electricity Supply



➤ Issues of concern:

- power supply interruption
- lengthy and expensive procedures to extend electricity supply for factories planning to expand.

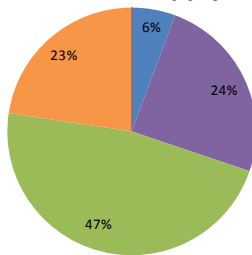
Gas Supply



➤ High satisfaction level - Conditions seen as normal or satisfactory by 88% of respondents

➤ Issue of concern: increase of gas price

Water Supply



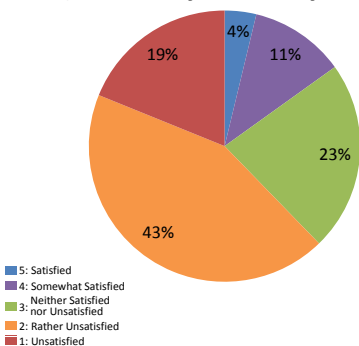
➤ There are complaints for water stoppages and price increase with too short notice.

➤ Improvement anticipation: tap water quality

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Transportation infrastructure

Transportation Infrastructure (Motorways, Railways, etc.)



➤ Considerable dissatisfaction level: 62%

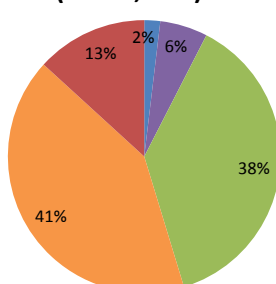
➤ Dissatisfaction is expressed more often by non-manufacturing businesses: transportation, logistics, trading companies.

➤ Companies appreciated the extension of the A1 and A2 highways, however they expect faster improvement of the network.

➤ Poor road quality and congestion at toll gates

➤ Improvement in railways is highly expected as well.

Public Commuter Transportation (Buses, etc.)

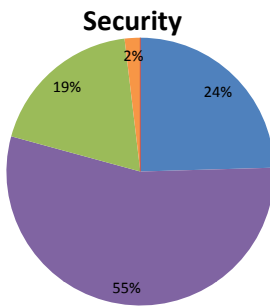


➤ Considerable dissatisfaction level: 54%

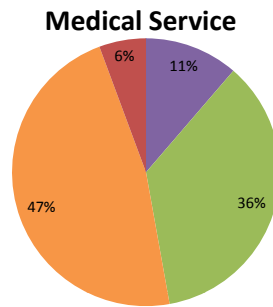
➤ Issues of concern: there is insufficient local transportation system and companies often have to arrange commuter buses by themselves.

➤ In addition, this causes a difficulty in employing personnel from distant places and younger people who do not own cars. The improvement of public commuter services could serve as a countermeasure against unemployment.

Living environment

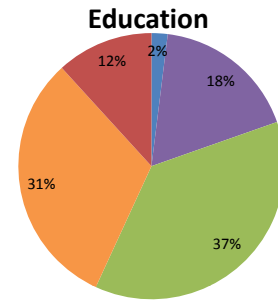


- 79% - Very high level of satisfaction
- Almost all comments from respondents are positive.



Issues of concern:

- Inefficient public health care system on both basic and advanced level of medical care
- Occasional difficulties with communicating in English
- Lack of basic medical facilities within SEZs



Issues of concern:

- Limited availability of education for foreigners in the countryside
- Unsatisfactory educational level of international schools

- Security level in Poland is very satisfactory for Japanese people, which is significant in terms of life conditions and helps attract companies to set up regional a hub for CEE region in Poland.
- However, in order for Poland to secure this position, further improvement in the living environment for foreigners is expected.

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Comments on the Revision of the Special Economic Zone Law

Japanese companies have the following expectations as to the SEZ Law revision:

- Extension of SEZ duration; extension of the expiration dates of already issued permits (CIT exemption applicable period)
- Relaxation of conditions for obtaining permits
- Carry-over of losses in the initial stage of operation
- Expanding the scope of the CIT exemption for revenues from operations conducted outside SEZ and those whose sources are difficult to classify
- New criteria for granting permits following the shift towards capital-intensive investments
- Granting additional permits and extending the duration of permits to companies which reinvest.

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Other Expectations Regarding Special Economic Zones

Furthermore, Japanese companies express following expectations:

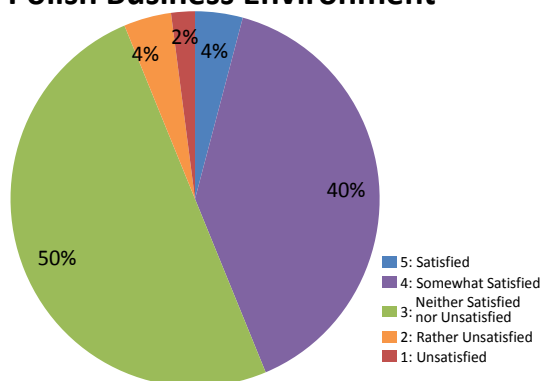
- SEZ management negotiations regarding electricity, water or gas-related facility expansion with providers, on behalf of companies present in the zones;
- SEZ management negotiations regarding public commuter service issues with local transportation companies, on behalf of companies present in the zones;
- strengthening intra-SEZ management (prompt snow removal, proper maintenance of street lights, etc.) and improving the existing infrastructure (local roads, electricity, gas, water distribution networks, medical facilities etc.);
- organizing seminars and recruitment events for companies in SEZs.

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Summary

-Polish business environment satisfaction level-

**Satisfaction Level of
the Polish Business Environment**



- Large percentage (94%) of either „satisfied” or „normal” evaluation of Polish business environment
- Very few negative opinions (3 companies out of 54)

➤ Satisfactory points:

- manpower
- political and economic stability
- economic development as a result of the EU membership
- SEZ incentive system
- public safety
- positive image and attitude among Polish people towards Japan

➤ Unsatisfactory points:

- infrastructure (especially road network)
- administrative procedures
- tax system
- inflexible labor regulations
- medical service, education

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Proposals

Further business environment improvement is essential to be competitive in the global economy:

- improvement of transport infrastructure: highways, railroads and other facilities essential for commuting;
- shortening and simplification of administrative procedures, unified law interpretation and implementation, tax system simplification, compliance with the EU standards;
- more employer friendly regulations regarding working conditions/company obligations;
- possibility of documents application in English, availability of more advanced medical care and education for foreigners.
- improvement of administrative support not only for new investors, but also for companies which have already invested in Poland

Review of SEZ:

- Revisions of SEZ law to secure the extension and flexibility of SEZ;
- Invest incentives, especially SEZ scheme, are significant for investing companies especially in the current global economic slowdown