



Poland: Pumps for Water and Wastewater Industry

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SUMMARY

This ISA report presents the Polish market for pumps used in the water and wastewater industry. There are 435 enterprises active in this field that secure 85% of the water supply in Poland. Sixty percent of Polish citizens are connected to the sewage network: 84% in cities and 16% in rural areas. These statistics show the direction in further development.

According to experts the market for pumps for the water and wastewater industry will grow 5 to 10% annually until 2012. EU regulations that require improvement in water and wastewater quality management are the main reason for this.

Foreign suppliers of pumps have been present on this market for 90 years. At first there were mostly German firms, but actually most of the world's biggest players are present here. A boom in the demand for water and wastewater pumps depends mostly on investment intensification that is a consequence of the EU funds in-flow.

A. MARKET HIGHLIGHTS & BEST PROSPECTS

Drinking water supply as well as sewage management are provided by water and wastewater management companies. Most of these companies are owned and managed by local governments. In the centrally managed economy ruling till 1989, an increase in production was the priority, not the quality of delivered service. That is why practically all water/wastewater systems in Poland were inefficient with huge losses in water as well as extremely high consumption of energy. Only the Law of June 7, 2001 on Collective Water Supply and Sewage Management allowed these state owned companies to consider economical cost calculations. Also Poland's accession to the European Union forced Poland to make its standards comply with the EU requirements. Around 1990 attitudes toward wastewater management started to become more environmentally sensitive. At the same time pre-accession financial aid programs such as PHARE, ITERREG or ISPA caused an investment boom for small wastewater treatment plants and sewage systems that replaced traditional leaking septic tanks.

Please see the following database for projects financed from the pre-accession funds:

http://ww.mos.gov.pl/bpfs/mos_final/index.php

From May 2004 Poland has had unrestricted access to the EU non-returnable funds, which enabled the country to utilize the most modern technologies, including pumping technologies. The EU accession increased investment possibilities for the water and wastewater industry. The Polish government prepared Operational Program Infrastructure and Environment that manages almost \$45 billion originating from Cohesion Funds and European Regional Development Funds. The Program focuses on five priorities:

1. water and wastewater management

2. waste management and earth surface protection
3. environmental resources management
4. adoption of environmental requirements by enterprises
5. nature protection and building of environmental awareness

The most important are the first two priorities. Investors can apply for up to 85% of the total qualified cost recovery. Qualification of costs is conducted based on the special guidelines issued by the Minister of Regional Development. Projects are selected through competitive procedure. The first round of competition selected 96 projects value at \$2.5 billion from the first two Operational Program's priorities.

Additionally, the Minister of Regional Development issued on March 6, 2008, an official Announcement on the List of Individual Projects for the Operational Program Infrastructure and Development 2007-2013. This document lists individual projects that are priorities for the Polish government: (Monitor Polski no 30, item 269, issued on April 8, 2008)
http://www.ekoportal.pl/sep/cms/export/sites/default/Fundusze_UJ/GaleriaPlikow_FUE/20080201NowalistaprojektowindywidualnychdlaPOIiS_p.pdf

While negotiating the accession treaty Poland obtained a transition period to introduce the EU 91/271 directive on treatment of urban wastewater. This regulation requiring all small estates and villages with 2000 or more citizens to be equipped with a sewage treatment facility will need to be fully executable by 2015.

Pumps are basic equipment for water and wastewater infrastructure must be reliable. The international consulting firm Frost & Sullivan predicts constant growth at the level of 5-6% annually of the market for pumps for water and wastewater industry within the Eastern European region, in particular Poland and the Baltic countries. As a reason for this it shows the EU regulations improving quality parameters in water and wastewater treatment. Frost & Sullivan emphasizes a competitive pricing as a crucial strategy Eastern Europe, where people's incomes are rather low. International suppliers, competing with local producers as well as with Asian firms, offer very high standards in quality and after sales service, what clients recognize and expect more and more.

Legal Regulations:

- Water Law issued on July 18, 2001
- Amendment to the Water Law from December 21, 2001
- Amendment to the Environment Protection Law and Water Law from November 23, 2004
- Amendment to Water Law from December 5, 2002

Polish legal regulations are in full compliance with the European Union directives and requirements.

Best Sales Prospects

Best selling prospect with harmonized system codes:

8413 81 Submersible pumps to be used in water and sewage treatment plants

B. COMPETITIVE ANALYSIS

Marketing Strategies and Business Practices

Foreign technology companies have many competitive advantages over local ones, typically offering the newest technology, more experience and greater organizational capabilities. They also have access to leading international experts that domestic firms do not.

Most successful foreign companies on the Polish market have representative offices in Poland. They participate in major trade events and actively cooperate with Polish Environmental Institutes. If a company is not yet ready to establish its own office in Poland, we suggest finding a local Polish partner. In this manner American know-how will be augmented by local awareness of the market, regulations, habits, and "informal procedures." U.S. presence in showcase projects is highly recommended and may create substantial interest for U.S. products and services in the market. U.S. companies interested in expanding into the Polish market should spend time and effort promoting their services and technology. American firms should participate in Polish trade shows (listed below), establish contacts with Polish companies and institutions, and advertise in local trade publications. A good way to make initial contact is to participate in a trade fair (listed below) or through the Gold Key Service organized by the U.S. Department of Commerce's office in Warsaw. Our "Gold Key Service" is a tailored program to introduce U.S. companies to key organizations and potential business partners in the dynamic and growing Polish marketplace through series of meetings arranged for the US visitor http://www.buyusa.gov/poland/en/products_and_services.html

Important factors for Polish companies and officials include after sale service and spare parts accessibility. U.S. companies should convince their Polish partners and possible investors that they are ready to provide this.

For equipment manufacturers another option is to contact a Polish company specializing in import and distribution only. They usually sell the equipment to the investors.

Domestic Production and 3rd-Country Imports

All leading world pump producers are present on the Polish market: ITT Flygt <http://www.flygt.pl>, Grundfos <http://www.grundfos.pl>, Flowserve <http://www.flowserve.com>, Ebara <http://www.ebara.com.pl>, and KSB <http://www.ksb.com>. Also other suppliers including Wilo, ABS, and Boerger dynamically develop on this market. The Polish producers LFP <http://www.lfp.com.pl>, Hydro Vacuum <http://www.hydro-vacuum.com.pl> and Instalcompact <http://www.instalcompact.pl> fight for retaining their position. There is a lot of competition between these firms, but it rarely focuses only on price. Pumps usually last for about 10 years, so the consequences of the wrong choice might be costly. That is why investors are not driven only by prices, and suppliers compete with technical support offers.

IMPORT	Total in US Dollars	Major Importers			
		Germany	France	Sweden	USA
2005	351,566,240.00	83,973,736.00	208,687,792.00	3,164,863.00	2,005,764.00
2006	94,119,387.00	15,780,548.00	4,649,392.00	3,087,980.00	2,620,295.00
2007*	87,514,982.00	17,446,625.00	5,211,693.00	2,503,040.00	1,790,404.00
2008**	31,446,731.00	5,456,623.00	2,601,183.00	N/A	830,957.00

Source: Chief Statistical Office

* 1st, 2nd and 3rd quarter of 2007

** 1st quarter of 2008

Polish Export to the World	2005	2006	2007*	2008**
In US Dollars	22,383,769.00	29,601,683.00	21,280,988.00	9,418,702.00

Source: Chief Statistical Office

* 1st, 2nd and 3rd quarter of 2007

** 1st quarter of 2008

The Polish market is not yet captured by the Asian firms, but it is well known that pump producers are moving the production of some elements, which KSB did recently, establishing KSB Shanghai Pump Company.

U.S. Market Position

US pump suppliers are well established on the Polish market. The largest companies including ITT Flygt, ITT Vogel and Flowserve have their offices here as well as their own sales force. Also their products originate mostly from Europe. Smaller suppliers like Gorman Rupp, Weir, E-One have Polish distributors that operate on their behalf.

C. END-USER ANALYSIS

There are 435 water and wastewater management enterprises active in Poland securing 85% of water supplies. Sixty percent of Polish citizens are connected to the sewage network: 84% of people living in cities and only 16% of people living in rural areas. This shows the direction of future development of this sector. In the urban areas Poland has almost reach the possible level of 90%. Sewer systems should be installed in rural areas with low density housing and diverse lay of the land. According to experts, because of cost savings, rural areas' sewage will be pumped to the centrally located treatment facilities, which should stimulate market development for pumps of certain parameters.

For two years there has been an economic boom of the market for wastewater pumps. It is stimulated by the flow of European Union funds (ISPA and Cohesion fund). The Polish sales director of German Wilo, <http://www.wilo.pl> predicts the growth of this market at the level of 10% yearly. He said this growth could reach 30% within next five years. He also said that Wilo's best sellers were pumps for sewage of the DN 80-100 mm dimension.

The demand for sludge pumps is also increasing. The major consumers of these pumps are wastewater treatment plants, but also water treatment enterprises. Major suppliers of these pumps are Seepex <http://www.seepex.com>, Allweiler <http://www.allweiler.com>, Boerger <http://www.boerger.pl>, Netzsch <http://www.netzsch-pumpen.de/en>, ITT Vogel <http://www.vogelpumpen.com>. It is a very dynamic market as the life span of such pumps is only one or two years depending on the amount of sand and the applied pressure. Producers compete based on the life span of the offered equipment.

Water and wastewater pump suppliers hope the market will continuously increase. Fast growing needs for pressure sewer systems within rural areas gives great market development perspectives. Also a booming building and construction industry gives stimulus for growing pump demand.

D. MARKET ACCESS

Financing

Financing for water and wastewater treatment infrastructure investments will come from state and local government budgets, various environmental funds (see below), EU structural funds and individual investors and entrepreneurs. When Poland joined the European Community, it gained access to the following assistance funds for the years 2004 - 2006: 2 billion EUR from Cohesion Funds, 8.3 billion EURO from Structural funds, (European Regional Development Fund); and about 700 million EURO annually from funds for development of rural areas. These funds are still available. Starting from January 2007 Poland gained access to 67 billion Euro from EU structural funds. The Polish government prepared the National Development Plan, NDP that describes priorities for project financing till 2013. Among these projects are also water and wastewater treatment infrastructure projects that will benefit from the operational program Infrastructure and Environment included in the NDP. Based on this program the Polish firms and self governments may apply for over \$5 billion (Euro 3,275.2 million) for building and modernization of sewage systems, wastewater treatment plants and water supply systems.

Projects financed with EU Structural and Cohesion Funds do not require equipment to be of EU origin (i.e., equipment of U.S. origin is allowed), nor do they apply the rule of nationality for suppliers of products and services. U.S.-based companies are eligible to participate as partners in projects funded by EU funds. The EU does not set minimum percentages for consortium or partnership participation. The only requirement is that fund beneficiaries establish an account in a bank situated in a EU member state. The notion of "partnership" is central in particular for Structural Fund projects. U.S.-based companies are strongly advised to find a suitable European partner that will act as a key player with local regional authorities. Including development agencies or academic organizations in the consortium will increase the chances of forming a winning team. U.S. subsidiaries located in the EU and legally registered are considered to be "European firms" and are eligible as such.

In the case of financing options for water and wastewater treatment infrastructure projects, a number of local financial sources are available from various financial institutions. These include:

- Poland's National Fund for Environmental Protection and Water Management, worth around 100 million EURO per year. The Fund mainly supports projects recommended by regional authorities (Voivods). The most common form of support consists of soft loans at

interest rates ranging from 0.3 to 0.8 of the refinancing rate, depending on the size of anticipated environmental benefits arising from the project.

- Voivodship Funds for Environmental Protection and Water Management operate on the regional level. Conditions for obtaining financial support from the 16 voivodship funds differ from region to region since each fund defines its own priorities for regional environmental problems. Usually, these funds provide soft loans of up to 50% of the investment cost with no particular preferences given to public investors.
- Bank of Environmental Protection funds. This organization offers suitable preferential credits for investments in waste processing projects.
- The World Bank also offers project funding.

Grants

Some financial institutions that provide support in the form of subsidies for water and wastewater infrastructure projects are:

- The National Fund for Environmental Protection and Water Management: this fund offers grants, but solely for pilot projects and promotional activities. In practice, larger projects are favored, although there is no official minimum cost.
- Voivodship Funds for Environmental Protection and Water Management: provides grants, usually given to public authorities and NGOs.
- Local environmental funds on the levels of county ("powiat") and community ("gmina") levels typically provide some grants, although priorities for funding differ depending on local development strategies. They mainly support environmental activities of local authorities.

Money for the above-listed funds comes mainly from the collection of fees for the economic use of the environment and from fines for non-compliance with environmental standards. In general, the distribution of money among these funds is as follows: National Fund (20%), regional funds (50%), county funds (10%) and community funds (20%).

The recommended payment method for imported goods and services is an irrevocable Letter of Credit (L/C). Polish banks require the importer to deposit funds prior to issuance of an L/C and they are opened for the period covering production, shipment and installation of the goods, or as otherwise set forth in contracts. Payments should be directed through banks whose guaranties are reliable.

There are several international lines of credit available:

- The International Finance Corporation (IFC). The Export Development Bank in Warsaw services credits for small to medium sized companies. For bigger projects the IFC forms consortia with other financial institutions.
- The Export-Import Bank of the United States (Eximbank) supports the export of U.S. goods and services through a variety of loans, guarantees and insurance programs.

For additional information, please contact:

Mr. Craig O'Connor
Environmental Liaison Officer
Export-Import Bank of the United States
811 Vermont Ave. NW
Washington D.C. 20571
Tel. (202) 565-3939
fax (202) 565-3932

Market Issues & Obstacles

Customs Duty

As a member of the EU, tariffs on U.S. produced equipment imported into Poland reflect EU levels. In order to check the tariff and VAT level for particular products, we recommend that importers visit the Polish Ministry of Finance web site, which has a tariff browser. The Tariff Browser (module of Integrated Tariff System - ISZTAR) provides information on goods in international trade to customs administrators and importers. The Tariff Browser also presents data from the TARIC system (goods nomenclature, duty rates, restrictions, tariff quotas, tariff ceilings, suspensions) and national data (VAT, excise tax, restrictions and non-tariff measures). All information on the TARIC system is presented in four languages: English, French, German and Polish. Please see: http://isztar.mf.gov.pl:7080/taryfa_celna/web/main_PL

Water and wastewater pumps from EU, EFTA countries and the U.S. enjoy 0% duty rates. Please contact Commercial Specialist Anna Janczewska by email at Ania.Janczewska@mail.doc.gov for detailed information on the customs duty rate for the product of your interest.

Excise Tax

There is no excise tax for imported waste processing equipment.

VAT

A 22% VAT is calculated on the CIF price plus the customs duty and excise tax (if applicable).

Safety Certificates

As of May 1, 2004, when Poland joined the EU, the EU product certification system was introduced. All electrical products are required to comply with EU directives 73/23, 89/336 and 98/37. The CE marking issued by the EU confirms product conformity with the requirements of EU directives. When certified for the EU, a product does not need separate certification in Poland, but must be registered with the Polish certification authority before being introduced in Poland. The certification requires a manufacturer's statement of product safety.

If a product is newly introduced to the EU and its first destination is Poland, certification must first be conducted by the Polskie Centrum Badan i Certyfikacji (the Polish Center for Research and Certification or PCBC).

Polskie Centrum Badan i Certyfikacji
(Polish Center for Research and Certification)
ul. Klobucka 23a
02-699 Warszawa
tel. [48][22] 857-99-16
fax [48][22] 847-12-22
<http://www.pcbc.gov.pl/ang/index1.htm>

According to the Public Procurement Law, all contracts within the municipal sector must be awarded in a fair and competitive manner. Typically, contracts are awarded to the lowest bidder (in the case of standard goods) or to the lowest evaluated bidder (in the case of equipment, services, custom-designed goods, etc.). Ideally, the best way to enter the market is to establish direct contact with the end-user. Participation in major fairs, seminars and trade-shows is strongly recommended.

The procurement of goods and services financed with foreign assistance follow the specific requirements dictated by the respective IFI, International Financing Institution, (i.e. the World Bank, European Bank for Reconstruction and Development, PHARE program) or relevant donor government. The restrictions of IFIs or donor governments limit the eligibility of products and producers.

It should be mentioned that most Polish firms are interested in cooperating with foreign companies. A good way to make initial contact is to participate in a trade fair (listed below) or through the Gold Key Service organized by the U.S. Department of Commerce's office in Warsaw.

Trade Events

NAME OF EVENT: International Environmental Fair POLEKO

MONTH: November 17-20, 2007
ORGANIZER: International Poznan Fair,
ADDRESS: ul. Glogowska 14, 60-734 Poznan,
PHONE: (48-61) 869-2554
FAX: (48-61) 866-5827
URL: <http://poleko.mtp.pl/>
E-mail: poleko@mtp.pl
Contact person: Ms. Agata Dutka, Project Manager

NAME OF EVENT: WODKAN Water and Wastewater Equipment Trade Show

MONTH: May 26-28, 2009
ORGANIZER: Izba Gospodarcza - Wodociagi Polskie
ADDRESS: ul. Jana Kasprowicza 2, 85-073 Bydgoszcz,
TEL.: +48 52 376 89 10
FAX: +48 52 376 89 20
E-MAIL: sekretariat@igwp.org.pl r.klich@igwp.org.pl
URL: <http://www.igwp.org.pl>
Contact person: Mr. Remigiusz Klich, Marketing Manager

Resources and Key Contacts

Ministry of Environment
Ministerstwo Srodowiska
00-922 Warszawa, ul. Wawelska 52/54
tel: (48-22)579-2404 ext. 404
fax: (48-22)579-2280
Contact person: Professor Maciej Nowicki, Minister
URL: www.mos.gov.pl

Główny Inspektorat Ochrony Środowiska
Main Inspectorate for Environmental Protection,
ul. Wawelska 52/54,
00-922 Warszawa,
tel/fax [48-22] 579-2900
Contact person: Mr. Andrzej Jagusiewicz, Chief Inspector
E-mail: gios@gios.gov.pl
URL: <http://www.gios.gov.pl>

Industry Chamber Polish Water-Supply
Izba Gospodarcza - Wodociagi Polskie
ul. Jana Kasprowicza 2,
85-073 Bydgoszcz,
tel. [48 52] 376-8910
fax.[48 52] 376-8920
Contact Mr. Remigiusz Klich, Marketing Manager
e-mail: sekretariat@igwp.org.pl r.klich@igwp.org.pl
URL: <http://www.igwp.org.pl>

Pumps Pumping Stations. Pump Users' Magazine
Pompy Pompownie. Czasopismo Uzytkownikow Pomp
Publisher:
ul. J. Lelewela 15
53-505 Wrocław,
tel.: [48 71] 782-8460
tel./fax: [48 71] 788-9668
e-mail: redakcja@pompy.pompownie.com
URL: <http://pompy.pompownie.com>

Financial Institutions:

National Fund for Environmental Protection and Water Management
Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej
ul. Konstruktorska 3a
02-673 Warszawa
tel. [48-22] 849-00-80, 849-38-46
fax [48-22] 849-20-98
Contact: Mr. Jan Raczka, President
URL: <http://www.nfosigw.gov.pl>

Ecofund
Polish Dept for Environment Swap
ul. Bracka 4
00-502 Warszawa
tel. [48-22] 628-5085
fax. [48-22] 628-5081
Contact: Mr. Stanislaw Sitnicki, President
URL: <http://www.ekofundusz.org.pl>

Bank for Environmental Protection S.A.
Bank Ochrony Środowiska BOS S.A.
Al. Jana Pawła II 12
00-950 Warszawa
tel. [48-22] 850-8805
fax [48-22] 850-8895
Contact: Mr. Jerzy Pietrewicz, President
URL: <http://www.bosbank.pl/>

Polish Agency for Information and Foreign Investment (PAIIZ)
Al. Roz 2
00-559 Warszawa
tel. [48][22] 621-62-61
fax [48][22] 621-84-27
Contact: Mr. Pawel Wojciechowski, President
URL: <http://www.paiiz.gov.pl>

For More Information

The U.S. Commercial Service in Warsaw, Poland can be contacted via e-mail at: Ania.Janczewska@mail.doc.gov
Phone: +48 22 625 4374; Fax: +48 22 621 6327 or visit our website: <http://www.buyusa.gov/poland/en/>

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