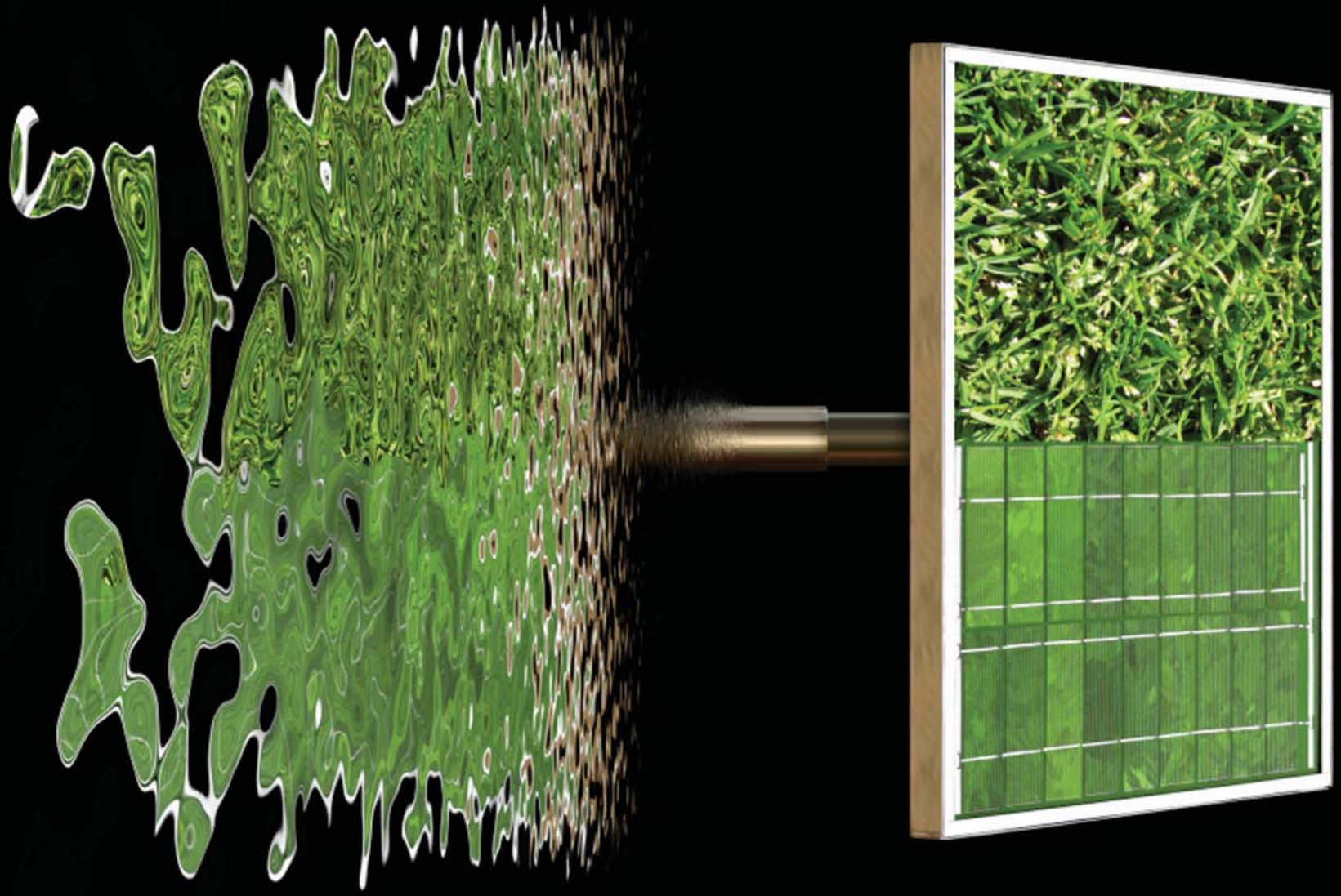

CZECH ECOLOGY AND AGRICULTURE

Supplement of Czech Business and Trade

2
2010

ONE CUT
AHEAD THROUGHOUT
THE WORLD

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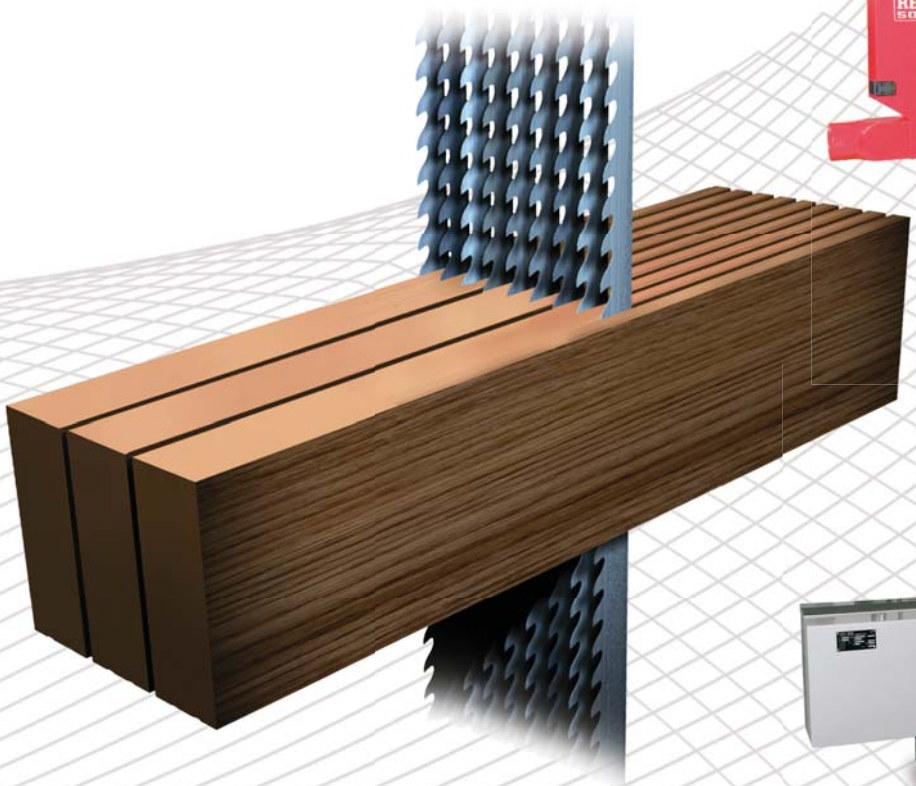

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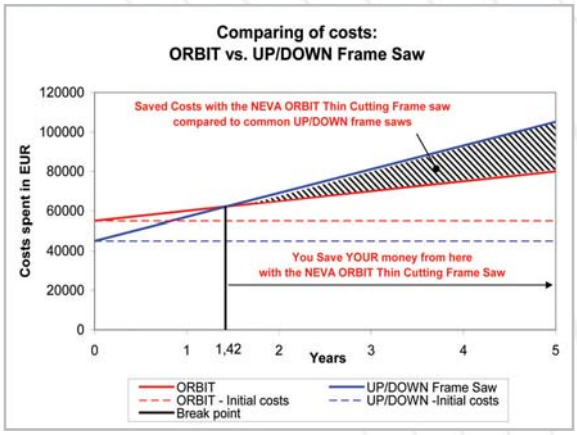

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Czech Ecology and Agriculture

Supplement of
Czech Business and Trade 2/2010

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IN THE NEXT SUPPLEMENT TO CZECH BUSINESS AND TRADE
The manufacture of machine tools and forming machines has been the main branch of Czech engineering for dozens of years. Export is essential for the sector as a whole. What is the present situation of the branch in the Czech Republic and what are its prospects? This is the theme of the next Supplement to Czech Business and Trade.

Cover photo: www.sxc.hu; page 3 photo: www.sxc.hu

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Dear Readers,

Environmentally friendly agriculture, organic food, renewable sources of energy, low-energy "green" buildings... these are themes very frequently discussed in the Czech Republic, Europe, and other countries around the globe. It is not by chance that ecology has been at the centre of public interest for several years. Individuals, institutions, enterprises, and governments are facing the decision how to make our planet healthier, and how to change conduct and habits and thus alleviate the impacts of inconsiderate treatment of nature. We, too, have been dealing with ecology and agriculture in this supplement.

An analysis of the agricultural sector has been conducted by the ČEKIA agency. After you have read it, you shall know how this sector is supported by the Government, what it is focused on most of all, and also how agro-tourism is developing in the Czech Republic.

The possibility of using brownfields, i.e. dilapidating industrial complexes, deserted former agricultural co-operatives, former military areas and the like and their enumeration are contained in another article of this supplement.

Export alliances facilitating foreign contacts of Czech enterprises have been established under the wings of the CzechTrade Agency in the last years. We are introducing two of them - Czech Water Alliance and the alliance České povrchové úpravy – in this supplement

Šárka Kratochvílová

Šárka Kratochvílová

Towards a Common European Policy in Food Production and Agriculture

Jakub Šebesta

MINISTRY OF AGRICULTURE OF THE CZECH REPUBLIC

The future role of the common European policy in food production and agriculture in the globalised world is a basic issue in the current period, when debates on the future of European agriculture are complicated by the current economic crisis. Jakub Šebesta, Minister of Agriculture of the Czech Republic, has shared with us his view of the common European agro-food sector.

What can we do for European food production and agriculture to flourish?

An important thing is to promote regional specifics and quality, combined with innovation and education. Globalisation is not a negative phenomenon, its benefits are rapid development and progress. We must keep pace with all that is new and adjust our activities to demand. We cannot expect that everybody will be satisfied with current achievements for 50 years. Consumers are very demanding. If anyone opts for a conventional product, the product must be of the highest quality. If people do not want tradition, they must be offered new things.

A great challenge is the rising volatility of agricultural commodity prices. It is therefore necessary to find corresponding market instruments that will help to mitigate the negative impacts of such fluctuations and see to it that the manufacturer is in a position to maintain adequate income.

The development in the past few years has shown that even a long period of relative stability and good economic results can be followed by a sobering chill.

What challenges and dangers are facing the agro-food sector?

Definitely it is the current economic crisis and in the long run the pressure of cheaper imports. I am confident that we can face up to these problems by higher added value of production, based on innovation and top technology. Emphasis must be placed on high safety, quality, and tradition of European production. This, in my opinion, is the way we must follow.

With the accession of new member states, the European market has gradually grown into a compound, which in 2009 comprised some 500 million people. Acute problems have emerged especially in connection with the accession of new states in the past relating to the future form of the future common agricultural policy, which must now be tackled. As a result of joining the EU, a number of changes have taken place in the Czech Republic, such as restrictions in sugar and milk production, which have markedly affected us, while on the other hand a number of new opportunities have opened up for us, which Czech businessmen have used to great advantage.

What are the impacts of the economic crisis on food production and agriculture in the Czech Republic?

In the current economically complicated situation consumers are rather looking for cheaper products, which is not a favourable

Photo: Ministry of Agriculture archives, European Commission archives

trend. It is to be expected that as soon as the situation starts improving, food buyers will once again be seeking better quality, which means higher added value. In the EU, the fall of agricultural trade in 2009 was not so sharp as in other parts of the world, which testifies to the ability of the EU to cope with the global economic crisis in agriculture. Two-thirds of EU exports are processed agricultural products, where the impact of price fluctuations is less in evidence.

At the same time it has become evident that the global market needs to be liberalised to the highest possible degree. If the market opens up to such a degree, and I am persuaded that sooner or later this is what will happen, we must be prepared for it and be able to react to the supply of cheaper commodities. I am certain that the European market will be capable of such reaction only if European consumers become aware that domestic production is of a high standard and will under all circumstances retain that standard. Great attention in the EU market liberalisation process, however, will have to be paid to ensuring the competitiveness of European producers in the face of third-country producers, especially as regards high standards in the area of hygiene, welfare, and quality of production, which EU manufacturers must meet.

Can European food production exist without European agriculture, and vice versa?

The only clear answer is NO, it can not. Not only because there are local and traditional links within the agro-food sector, but also that we cannot neglect the environmental and social aspects of the entire sector. What has been grown at home must also be processed at home. It can hardly be explained why we should import raw materials from across the world if we are able to produce them at home. I know, it is not the cheapest way, but Europe sees to the observance of its traditions, so let us observe them also in agriculture and food production, only this is the way to top-standard production, to which we are all used and which consumers in third countries expect from European production.

How active is the Czech Republic in this respect?

I am pleased to say that it is very active indeed. The Czech Republic has 24 protected geographic indications or appellations of origin, with several more applications being in the pipeline. A great achievement was the registration last year of the Czech Beer geographic indication, which is of great commercial and economic significance for traditional Czech beer brewers. Protected indications enable better protection against abuse by other, rival trade or manufacturing partners prone to sponge on the reputation of established indications. In the area of guaranteed traditional specialties, the Czech Republic co-operates closely with colleagues in the Slovak Republic – four joint Czech-Slovak applications for the registration of selected traditional meat products have been submitted in Brussels. In connection with traditional and regional foodstuffs, a project has just been launched in the Czech Republic, the aim of which is an information campaign and effort to raise consumer interest in regional products. Regional products especially have a great potential as regards quality.

SELECTED EXHIBITIONS AND FAIRS

Flora Olomouc 19-22 August 2010
■ international gardening exhibition
www.flora-ol.cz

Earth the Provider, České Budějovice 26-31 August 2010
■ restoration and development of the countryside, crop and livestock production, farming equipment, food production, forestry and water economy, gardening and cultivation, services for agriculture
www.vcb.cz

Ekostyl, České Budějovice 26-31 August 2010
■ creation and protection of the environment, environmentally friendly technologies
www.vcb.cz

Pragolinga / Tooltex, Prague 4-6 November 2010
■ 11th contracting and sales exhibition of machines, tools, equipment, and materials for the woodworking industry / 15th specialised exhibition of machines, tools, and hardware
www.pragolinga.cz

Get Acquainted with Czech Agriculture

Vladimír Melichar, analyst, Czech Capital Information Agency, e-mail: melichar@cekia.cz, **www.cekia.cz**

Before 1989, Czech agriculture was a strongly privileged sector within the country's directive system, which resulted in its disproportionate size. In spite of this, its economic efficiency was relatively high. The transition to a market economy system put high pressure to bear on farmers, forcing them to adjust to the new economic conditions and sales possibilities as regards the size, structure, and efficiency of their farming enterprise.

Adjustment to EU Agricultural Policy

Farming in the Czech Republic comprises all crops characteristic of the country's geographical position and its climatic conditions. In addition to all the main grain crops (wheat, barley, rye, oats, and maize), farmers grow sugar beet to make sugar, potatoes, oil bearing plants (rape), flax, hops, fruit, vegetables, and grapevine. The livestock sector produces mainly cattle (for milk and meat production), pigs, and poultry. Products of the Czech agrarian sector are used for both final consumption and further processing, especially in the food industry. The Czech Republic's agrarian policy has developed in two stages. The first stage (revitalisation), focusing on the recovery and stabilisation of the farming sector, was terminated in 2001, while the second stage (adaptation) concerned itself with the institutional preparation of the country's accession to the EU. The concept of the second stage (adaptation) was aimed at the fastest possible general adaptation to the conditions of the EU Common Agricultural Policy in all its areas (structural, regional, environmental, and rural).

Support to Agrarian Sector

An important milestone in the development of the sector was the Czech Republic's accession to the EU (1 May 2004). For the agrarian sector, it meant a more than double growth of support it received and an important increase in the share of EU states in Czech agrarian trade (in exports, a rising share of raw materials, in imports, a growing share of products with higher added value). This was accompanied by greater interest in farm land, leading to changes in the structure of its ownership and to higher rentals, and the enlargement of the eco-farming area by approx. 40% in comparison with the pre-entry period. At the same time, higher claims were placed on farmers resulting from participation in the EU Common Agricultural Policy, while the structure of the Czech national economy was brought closer to that of the EU, which resulted in a reduced share of agriculture, forestry, and fisheries in GDP generation and employment.

Analysis of Agricultural Entities

At the end of 2009, altogether 115 674 business entities were registered in the Czech Republic, whose core business was agriculture, game keeping, and related activities. 79.4% of this figure was accounted for by natural persons and 36.2% by enterprises (dominated by limited liability companies), cooperatives and other entities. The core business of most enterprises (50.2%) according to the register was combined production. Engaged in pure crop production are 11.9% of enterprises and 9.5% enterprises devote themselves to pure livestock production. The overwhelming majority (90.7%) of companies are controlled by Czech entities. Besides conventional agricultural primary production, a number of enterprises pursue additional activities, adding value to their own production, such as seed, fertiliser, and fodder mixture production and sale, slaughter-house operation, food production, agricultural services, rental of farm machinery, etc. In connection with environmentally friendly energy production requirements, Czech farmers have greatly increased the cultivation of crops suitable for that purpose, such as rape, which is also used for bio-fuel production. Another such crop is sugar beet.

Competition Is Growing

Since the beginning of the 1990s, the share of agriculture in the country's economy and in total employment has been declining, with a gradual dampening down of activity in certain manufacturing branches within the sector. The main causes are growing competition pressures and additional investments needed for the observance of standards applying to breeding equipment technology, environmental protection, and other hygienic regulations. After the country's accession to the EU and the opening up of its market, Czech agriculture was faced with growing imports of cheaper foodstuffs. Self-sufficiency in vegetable products, with the exception of rape, has greatly increased and in all these commodities domestic production exceeds domestic demand. In livestock production, on the other hand, self-sufficiency has been reduced.

Poultry Is Growing, Cattle Declining

Livestock production covers commodities such as meat, milk, and eggs, which are placed on both the domestic and foreign markets. The animal category has also declined, especially as regards sheep and goat breeding. Cattle and pigs, too, have witnessed a decline in production. On the other hand, the poultry sector has been growing.

Photo: www.sxc.hu

Arable Land Is in the Lead

Farmland in the Czech Republic covers an area of 4.2 million ha. The decisive part of this area is arable land, on which different crops are rotated depending on the specific production region and the farmer's own choice. Permanent cultures are grass stands, grape vine and hops. The most widely grown crops are cereals, covering an area of approximately 1.6 million ha, the largest proportion of which each year is accounted for by wheat and barley. For the past few years, fodder crop, rape, and technical sugar beet cultivation has been on the decline. However, despite the general decline, Czech agriculture as a whole is showing a production surplus.

Development after Joining the EU

After the Czech Republic's accession to the EU, the share of EU states in Czech agrarian trade increased significantly. Logically, the country's foreign trade turnover rose substantially, with slightly lower dynamics of exports; the overall balance of trade, however, remains unfavourable. Trade with third countries has been limited. The Czech Republic's accession to the EU also meant higher trade exchange in eco-farm products (by 40% in comparison with the pre-entry period). After joining, agro-environmental measures were introduced and money spent on eco-agro policy has practically trebled in comparison with the period before entry.

Agro-tourism

The number of people working in agriculture has dropped to one-quarter of the pre-1989 level. After joining the EU, year-on-year decreases stabilised at 2% to 3%, which means a faster decrease in farming jobs than in the rest of the EU. The competitive environment on the commodity market forces farmers in the EU to set up primary production enterprises with the aim of raising their own competitiveness. Such entities hold an important position, there are strong marketing organisations linked horizontally and vertically (production – processing – marketing). In this respect, the Czech Republic is still lagging behind the EU, in a number of commodities marketing organisations are far from having a significant, let alone a decisive share of the market. Nevertheless, the situation is changing gradually. For domestic farmers, agro-tourism still represents a mere alternative source of income and is developing very slowly. Domestic demand is limited primarily by the domestic phenomenon of holiday cottaging. Approximately one-third of agro-farm clients are foreign tourists (mostly from Germany, Poland, and the Netherlands), whose favourite destinations are the Šumava, South Bohemia, and the Krkonoše (Giant Mountains).

Recommendations for the Future

Czech agriculture will continue to be under the pressure of rising labour and land costs. Investments are needed in technological modernisation with the aim of raising productivity of labour and overall production efficiency, in addition to "non-productive" investments linked with the ever stricter cross-compliance requirements and other legislative restrictions. In the years to come, the land market will open up fully to buyers from EU states and third countries. The most sensitive problem is livestock production with all the scenarios of the EU Common Agricultural Policy giving absolute predominance to vegetable production and massive reduction of livestock production.

The article is based on the Agriculture Sector Analysis published by the Czech Capital Information Agency (www.cekia.cz), which concerns itself with supplying economic information about firms.

Building of the Zlín Technology Centre after reconstruction

Brownfields to Turn into Shopping Centres and Eco Farms

Jiří Sochor, e-mail: jiri.sochor@czechinvest.org, **www.czechinvest.org**

Abandoned and neglected brownfield localities cover more than three hundred square kilometres on the map of the Czech Republic. Fortunately, not all lie next to each other – if they did, the three hundred square kilometres would be equivalent to a city of half a million. For an area of just this size, public support in the order of billions of euros can be drawn thanks to the European Union and national grants.

Dilapidating industrial structures, abandoned farmsteads of former agricultural cooperatives, derelict housing estates, former military areas, unused factories and old castles falling apart. The list of brownfields scattered all over the Czech Republic would be very long indeed. After all, perhaps the same as in any other country. In the Czech Republic, there are more than 11 000 such localities according to CzechInvest Agency, which is trying to manage their regeneration centrally.

At least some of them, especially those near large city centres, provide interesting investment opportunities. Their supply, however, has been declining in recent years. Large repaired brownfield projects, or projects still under reconstruction, are to be found in Prague, Brno, Ostrava and practically in all larger cities across the country.

The cooling down of global economy, however, has resulted in a slowing down of project re-generation or postponement until a later time. On the other hand, the burst of the property bubble made brownfield owners in the city centres speculating on further property price rises and reluctant at the moment to sell dilapidating buildings in attractive localities, start thinking. Moreover, the property bubble was not extremely inflated in the Czech Republic, and subsequently for the past two years property prices have been rather stagnant, as they did not have anywhere to fall.

Billions from the EU

Very interesting in this connection is the fact that the European Union has resources from which it makes generous contributions for the regeneration of abandoned cultural complexes, and from which projects in the Czech Republic, too, can benefit. Support can be obtained from 13 EU or national subsidy programmes. Dozen billion crowns can be obtained for projects ranging from railway siding reconstruction to the building of new research and development centres. When choosing a suitable subsidy programme, one has to decide first of all what purpose the brownfield should serve. The Business and Innovation Operational Programme can help investors wishing to use the recuperated area for manufacturing industry projects, strategic services or applied research and development; for brownfields to be used in agriculture after revitalisation investors can draw support from the Rural Development Programme.

In other cases, support can be obtained from Regional Operational Programmes. Projects in Prague are supported by the Prague – Competitiveness Operational Programme. Contaminated brownfield sites can draw support from the Environment Operational Programme. This programme also supports the decontamination of brownfields in protected areas. In addition, there are also national subsidies, such as the Programme for the Support of Business Property and Infrastructure Development,

Photo: Pavel Kostelník

administered by CzechInvest Agency. Each year, the Ministry for Regional Development also launches support programmes for army brownfields coming under community ownership.

Helpful Administration

A great advantage of abandoned industrial complex regeneration projects is that they are unlikely to run up against opposition from the authorities. This may be of key importance for certain branches of business. Squeezing a new foundry into the regional development plan would need a good deal of courage from the mayor. If, however, such a project is to be set up on a site where activities in the same line of business were operated maybe for decades except the past few years, the investor will not only find a quasi-developed infrastructure and trained and experienced employees, but also a warm reception from the local population.

The essential problems of brownfields in the Czech Republic – as in any other country anywhere in the world – is that dozens of owners may claim possession of one site. Of course even the claim by just one of them may be a problem, and the regeneration may come to nothing. The second problem is that physically it is not possible to describe in detail the more than 11 000 brownfields which can be found on the map of the Czech Republic.

Brownfields Online

CzechInvest Agency helps in solving both problems with its online database of Czech brownfields (ww.brownfieldy.org/). Currently, the database offers several hundred brownfields described to the slightest detail, which are prepared for regeneration, with all property issues already solved.

The database is freely available 24 hours a day from anywhere. It has been in operation since 2008, when one of the stimuli for its launching was the experience of an enterprise in the north-east of the Czech Republic. The core business of the enterprise is metalworking. A few years ago, the enterprise was faced with the problem of space, which at that time was not sufficient for it to cope with its new orders. Considering the line of its business, the brownfield was a clear choice. The firm's managers spent several weeks searching for an ideal site to meet their expansion plans. In the end, they found an ideal brownfield completely by chance on their way home from one of their visits to another brownfield.

Before setting up the database, CzechInvest undertook a study, the first ever to be compiled, which mapped all brownfields in the Czech Republic. One of the very positive conclusions of the study was that only 7% of Czech brownfields were provably affected by an ecological burden. On the other hand, however, another 37% of such localities may be assumed to have such a burden. Nevertheless, this means that not more than under 50% of brownfields in the Czech Republic are contaminated, which in itself is an unexpectedly good result.

Look for a Tractor on the Brownfield

Most brownfields in the Czech Republic have their origin in agriculture, followed immediately by industrial activity. Taken together, they account nearly to the dot for two-thirds of all brownfields in the country. Also important is the share of brownfields from abandoned houses of culture, stores and other such facilities. Together with housing, these two categories account for over 15% of all abandoned complexes in the Czech Republic. A scar on the map has been left by the army, which is responsible for 5% of all localities.

As regards the area of the brownfields, the situation is considerably different. The share of army grounds, for example, will jump from the original 5% to nearly one-quarter. This shows that the former shooting grounds and barracks and other facilities of the former Czechoslovak People's Army occupied an absurdly vast area of the country's surface at the time of the Warsaw Treaty. The share of industrial brownfields, in terms of surface area, too, is very large, accounting for more than 40% of the total area. After 1990, a number of overgrown giants, fed by centrally-managed economy, went bankrupt, and the brownfield areas left behind are beginning to be turned into industrial parks or are being re-built into residential quarters. About 20% of the total brownfield area remains for agriculture, which is still a very important figure.

What Next with Czech Brownfields?

Besides the original purpose of brownfields, the study prepared by CzechInvest also concerned itself with proposing their ideal new use in the particular locality. This was done on the basis of the history of the locality, previous activities pursued there, the geographical position of the brownfield, and everything that could be important for the ideal new use of the site.

It is not surprising that the new recommendations completely eliminated the army. On the other hand, the share of brownfields recommended for "mixed urban functions", a good technical term for

PRAGUE: PALLADIUM

The former owner of land on which the Palladium shopping centre was constructed a few years ago was, from the 1780s, the army, which built a vast barracks complex there, complete with spacious stables. A number of famous personalities of the Czech nation served at the barracks. Worth mentioning is Czech dramatist Josef Kajetán Tyl, actor, novelist, and journalist, who composed the Czech anthem there. The army owned the former George of Poděbrady Barracks for the next two centuries until 1996, although in the latter half of the 20th century it did not practically use it and the whole compound went into decay. At the time when the barracks were used by the army, the compound was closed to the public. Finally, in the early 1990s, the Ministry of Defence decided on its more suitable use.

BRNO: VAŇKOVKA

Vaňkovka, since 2005 serving as a shopping and cultural centre, stands in the place of a former factory founded in 1865. The structure comprises some of the original buildings of the former factory, to which new structures have been added. In the reconstructed building of the original machine plant in the eastern part of the original factory now stands the Wannieck Art Gallery. The name Vaňkovka is the distorted name of the German founder and original owner of the former factory. The reconstructed buildings of the original factory are examples of neo-Gothic industrial architecture.

OSTRAVA: KAROLÍNA

Karolína is a vast regeneration project standing in the place of a former coal mine and coking plant. Historically on the outskirts of Ostrava, the complex has become completely encompassed by the massive development of the city, so that on completion New Karolína will link up smoothly with the now historic parts of the city. Coal mining in the locality started in 1837, and the coking plant was established in 1858. Both activities grew massively with time. Coal was brought to the plant by cable-cars from several galleries. In addition to coke, the plant also made briquettes. In 1905, an electric exchange was built there, which supplied the galleries with power. The coking plant closed operations in 1964, the electric exchange closed down ten years later. Two of the administrative buildings have been preserved and are protected as registered monuments.

small businesses, gymnasiums, cinemas, theatres, cultural facilities, playgrounds etc., increased significantly. This indicates that originally a large number of today's brownfields were located on the outskirts of towns. The dramatic town development over the past few years, however, has surrounded these localities by new construction, and renewing former factories now standing in the middle of a residential quarter wouldn't make much sense.

On the other hand, somewhat surprising may be that the study has recommended an even larger number of brownfields for industry than the original number of such structures. At the same time, however, the recommended use for most of such surfaces is a combination of light industry manufacture and services, i.e. the combination of small-scale industrial production with shopping centres.

A similar situation exists in agriculture. The centrally planned economy produced huge collective farms in agriculture, which associated farmers from far and wide. This is where heaps of infrastructure were left behind, which could hardly be used for good benefit over the past twenty years. Here, too, the study in a number of localities recommended the combination of agriculture with other activities – eco-farms, accommodation in a natural environment, restaurants, and other such structures and activities.

In the Czech Republic, as in other industrialised economies the world over, opportunities for greenfield investment are becoming scarce. As a result, brownfields are necessarily becoming increasingly attractive. Ideally, in the long term, would be for brownfields to be equally attractive for new investments as greenfields. This of course is a very ambitious goal, so that a realistic target will be bringing the attraction of brownfield investments as close to greenfield ones as possible.

PREVIOUS USE OF BROWNFIELDS - NUMBER

Region/use	army	housing	tourism	civic amenities	industry	agriculture	other
South Bohemia	21	20	1	32	62	68	8
South Moravia	19	1	0	17	72	64	9
Karlovy Vary	11	8	2	46	66	33	34
Hradec Králové	18	11	0	41	78	81	15
Liberec	2	9	7	30	79	52	23
Moravia-Silesia	9	2	0	29	116	50	26
Olomouc	10	9	5	24	35	105	18
Pardubice	11	13	0	12	60	79	6
Plzeň	24	5	0	26	62	95	2
Central Bohemia	11	1	0	8	35	34	3
Ústí nad Labem	9	12	7	18	87	100	24
Vysočina	1	4	0	21	22	43	7
Zlín	5	0	0	0	11	17	2
TOTAL	**151**	**95**	**22**	**304**	**785**	**821**	**177**

source: CzechInvest

PREVIOUS USE OF BROWNFIELDS - SURFACE

Region/use	army	housing	tourism	civic amenities	industry	agriculture	other
South Bohemia	38.47%	8.04%	0.12%	1.57%	27.16%	22.49%	2.15%
South Moravia	19.33%	0.17%	0.00%	3.37%	52.48%	23.11%	1.56%
Karlovy Vary	17.78%	0.56%	0.06%	3.40%	43.00%	12.19%	23.02%
Hradec Králové	44.24%	0.48%	0.00%	3.19%	27.10%	20.40%	4.59%
Liberec	10.61%	1.07%	2.03%	6.27%	45.13%	29.35%	5.56%
Moravia-Silesia	10.41%	0.26%	0.00%	4.02%	63.95%	6.71%	14.65%
Olomouc	34.18%	1.54%	0.30%	1.97%	26.78%	28.87%	6.35%
Pardubice	37.91%	1.14%	0.00%	0.71%	41.55%	13.43%	5.22%
Plzeň	35.75%	0.13%	0.00%	2.65%	32.04%	24.47%	4.97%
Central Bohemia	21.09%	0.48%	0.00%	6.37%	38.39%	28.49%	5.20%
Ústí nad Labem	4.44%	0.55%	1.03%	0.77%	50.18%	15.15%	27.88%
Vysočina	41.56%	0.06%	0.00%	20.70%	7.06%	12.42%	18.19%
Zlín	17.65%	0.00%	0.00%	0.00%	55.52%	24.85%	1.99%
TOTAL	**23.10%**	**0.90%**	**0.22%**	**4.03%**	**42.64%**	**18.08%**	**11.04%**

source: CzechInvest

Photo: www.sxc.hu

Investments in Renewable Energy Sources in the Czech Republic

Jakub Adam, Markéta Pašková, Wolf Theiss Advokáti, s.r.o.,
e-mail: jakub.adam@wolftheiss.com, marketa.paskova@wolftheiss.com, **www.wolftheiss.com**

In the EU Accession Treaty, the Czech Republic committed itself to raise the proportion of electricity made from renewable sources to 8% of gross electricity consumption by 2010. Within the meaning of the law, renewable sources are renewable non-fossil natural energy sources such as wind energy, solar energy, geothermal energy, hydropower energy, soil energy, air energy, biomass energy, landfill gas energy, sewage gas energy, and biogas energy.

FINANCIAL INCENTIVES TO PROMOTE ELECTRICITY GENERATION FROM RENEWABLE SOURCES

Feed-in Tariffs or Green Bonuses

As investment in renewable energy sources would most probably not be profitable for potential investors without further incentives, the Czech Parliament passed Act No. 180/2005 Coll., on the promotion of use of renewable sources ("Renewable Sources Act") in 2005, to promote the use of renewable energy sources and ensure continuous increase in the renewable energy share in the consumption of primary sources of energy; the Act gives investors the option to choose between two incentives to renewable energy generation: guaranteed feed-in tariffs for electricity supplied into the grid (feed-in tariff), or "green bonuses", a surcharge on the generated electricity which is used directly by the producer or sold directly to the producer's customer. The Act hereby transposes Directive 2001/77/EC of 27 September 2001, on the promotion of electricity produced from renewable energy sources in the internal electricity market.

These two types of incentives may not be combined in a single calendar year. The producer of electricity is obliged to inform the transmission system operator by 30 November each year of the incentive for which they opt for the following calendar year as of 1 January. In the case of newly built facilities, the notification must be made no later than one month before the launch of the production.

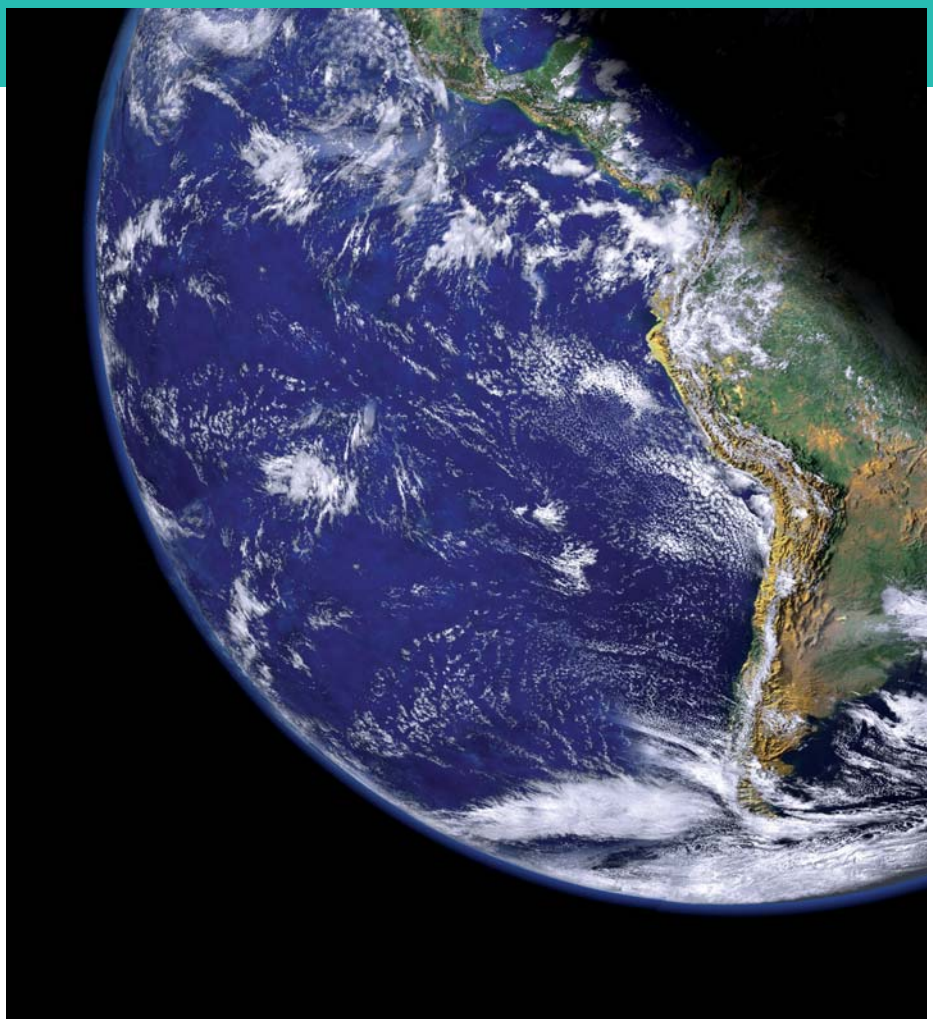
The level of feed-in tariffs and green bonuses is set annually by the Energy Regulatory Office ("ERÚ") in its decrees (the currently applicable ERÚ Price Decisions are Nos. 4/2009 Coll. and 5/2009 Coll.). The green bonus consists in a premium on the electricity market price. A producer of electricity that sells electricity generated from renewable energy sources at an agreed market price to any end customer or electricity trader, or that directly uses the generated electricity, is entitled, upon the submission of relevant documents, to collect green bonuses on top of the price from the transmission system operator (TSO) or the regional distribution operator. The drawback of the green bonus system is its higher risk, as the producer has no guarantee of selling all the generated electricity on the market, and of the price. It must actively seek its electricity consumers and negotiate the purchase price.

Interesting Investment Opportunity

The minimum incentive period guaranteed to the investor for generating electricity from renewable energy sources is 15 years from putting the generating facility into operation, which is an interesting investment opportunity. The maximum incentive period is not explicitly specified by the Act. The ERÚ Regulation (a piece of secondary legislation of lesser legal force), however, stipulates that the feed-in tariff is guaranteed for the lifetime of the electricity generating facility. The life expectancy pursuant to the ERÚ Regulation is 30 years for small hydro-plants, 20 years for biomass, biogas, wind, geothermal, and photovoltaic power plants, and 15 years for sewage, landfill, and mine gas power plants.

Investors receive feed-in tariffs or green bonuses in the amount set by the ERÚ Price Decision effective in the year in which the facility was put into operation; feed-in tariffs – except for biomass and biogas incineration plants – are indexed by a minimum of 2% and a maximum of 4% year-on-year depending on the industrial price index development. When designing a new facility, ,investors may take the ERÚ Price Decision as a guide, as the feed-in tariffs set by ERÚ for the following calendar year may not be less than 95% of the feed-in tariffs applicable in the year in which the decision on the new feed-in tariffs has been made.

The Senate is currently debating a Government Bill to the Renewable Sources Act already passed by the Chamber of Deputies of the Czech Parliament, which is to change the guaranteed feed-in tariffs for renewable energy from those sources whose rate of return is less than 11 years. This change will concern especially photovoltaics, where, as a result of the reduction of photovoltaic panel prices by up to 40%, investment costs have declined



significantly (their rate of return is allegedly estimated to be 8 to 10 years). Under the current legislation, ERÚ may reduce the feed-in tariff for electricity generated by new facilities by mere 5% year-on-year. ERÚ estimates that if the Government Bill is passed, solar electricity feed-in tariffs will be reduced by 30% starting from 2011.

Tax Benefits

Income from the operation of small hydroelectric power stations with an output up to 1 MW, income from wind power stations, heat pumps, solar facilities, facilities for the production and use of biogas and wood gas for energy purposes, biomass-based electricity and heat generation facilities, facilities for the production of biologically degradable substances defined by special regulations, and facilities for the use of geothermal energy are exempted from personal and corporate income tax in the calendar year in which the facilities were first put into operation and in the following five years.

Other Potential Advantages

The Ministry of Industry and Trade and the Ministry of the Environment offer subsidies for "green energy". The recipients of the subsidies, however, are restricted to private individuals and municipalities. Other incentives can be obtained for combined electricity and heat generation and for secondary sources of energy.

LEGAL FRAMEWORK FOR RENEWABLE ENERGY GENERATION

Conditions for running business in the area of electricity generation are regulated mainly by Act No. 458/2000 Coll., on business conditions and public administration in the energy sectors and on other amendments ("Energy Act"). The Energy Act sets out conditions under which ERÚ may issue licences for energy generation, transmission, and distribution. This Act transposes Directive 2003/54/EC of the European Parliament and of the Council concerning common rules for the internal market in electricity and Directive 2003/55/EC of the European Parliament and of the Council concerning common rules for the internal market in natural gas.

The use of renewable sources is regulated primarily by the Renewable Sources Act mentioned above and by the ERÚ Price Decisions, which stipulate the level of feed-in tariffs and green bonuses. As mentioned above, the applicable decisions for 2010 are Decisions Nos. 4 and 5/2009 Coll. The electricity market rules are set out by ERÚ Regulation No. 541/2005 Coll. Decrees Nos. 475/2005 Coll., 51/2006 Coll., and 140/2009 Coll. were used as a basis for the implementation of certain provisions of the Renewable Sources Act, for setting the conditions for connecting the sources to the grid, and for electricity price regulation. Specific conditions for the use of biomass in electricity generation are laid down by Regulation No. 482/2005 Coll. of the Ministry of the Environment.

Licensing Procedures

The following steps must be taken before electricity generation from renewable sources may start:

1. Prove the title to the land and buildings, if applicable, where the electricity generating facility is to be built (ownership title to the property, tenancy).
2. Perform fact-finding procedure under Act No. 100/2001 Coll. on the Environmental Impact Assessment ("EIA"). The procedure is required especially for the following projects:
   - Fuel incineration facility with rated heat output of 50 MW to 200 MW;
   - Wind power plants with total installed output of more than 500 kWe or with tower height exceeding 35 m;
   - Hydro-power plants with a total installed output capacity 10 MWe and above;
   - Hazardous waste disposal facilities;
   - Projects that might affect bird protection areas and natural sites of European importance.

Facilities with outputs below the above-mentioned levels are subject to EIA only if the authority concerned has issued a decision to that effect. The actual procedure lasts 5-8 months; in case that special documents have to be prepared, it may last up to two years.

3. Change of the zoning plan in case that the existing zoning plan does not allow for the construction of a power plant.

4. Obtain the zoning and building permits. The competent authority is the building

Photo: www.sxc.hu

office of the relevant municipality. The building office, similarly to other administration authorities, has to issue its decision within 30 days from the opening of the proceedings; in more complicated cases the period may be prolonged by another 30 days.

Binding positions of the respective authorities must be obtained for the issuance of the zoning and building permits. The respective authorities issue their positions within the same statutory deadlines as the building office. Depending on the location of the land, the following authorities may be involved in terms of public interest protection:

- Authorities of environmental protection, nature and landscape conservation, water management, farmland protection;
- Authorities of forest conservation, air protection, and waste management;
- Health-care authorities;
- Railway administration office;

whereas the relevant state administration tasks are usually performed by respective departments of the concerned municipality authority.

5. Obtain the final approval for use of the electricity generation facility. The competent authority is the building office of the relevant municipality, whose decisions are subject to the above-mentioned deadlines.

6. Obtain the licence from ERÚ for electricity generation. In specific cases, the licence may be obtained before the issue of the final approval for use. Licences are issued for no more than 25 years.

The preconditions for individuals to obtain the license are: (i) minimum age of 21 years, (ii) full legal capacity, (iii) integrity, and (iv) professional competence, or the appointment of an authorised representative, where professional competence usually means completed technical university education plus three-year experience in the field, or completed secondary technical education plus six-year experience in the field; for smaller facilities, lower-level education is usually sufficient.

For legal entities, conditions (i) to (iii) must be met by members of the statutory body. A condition for awarding a licence to a legal entity is also the appointment of an authorised representative. The person applying for the licence is required to prove its ownership title to or the right of use of the power generation facility to be used for the licensed operation, or the consent of the facility owner. The applicants must also prove their financial capacity for the operation for which the license is required, and the capacity to discharge their obligations for at least five years.

7. To have the facility connected to the grid, the producer must file (i) a written application, supported by (ii) the consent of the transmission or distribution system operator, and (iii) a contract on connection between the applicant and the transmission or distribution system operator. The operator is required to give priority to plants generating electricity from renewable energy sources if the producer applies for connection and meets the conditions for electricity connection and transmission under the Energy Act.

8. The last step is a contract with the transmission or distribution system operator on electricity supplies or a contract on the payment of green bonuses (see above).

Acquisition of Projects in Progress

As it is obvious from the above, the licensing procedure is not a simple affair. Potential investors in renewable energy may want to purchase a project already in progress, at a certain stage of completion. In view of the current uncertainty regarding possible reductions of feed-in tariffs for electricity obtained from solar power stations beginning from 2011, an interesting alternative is the purchase of solar power stations already erected and connected to the grid, where the projection of future revenues is quite simple.

Champion among Czech Vintners

Miroslav Majer, Vinselekt Michlovský, a.s., e-mail: majerm@michlovsky.com, **www.michlovsky.com**

Czech vintners know their 2009 champion. The wine-maker of the year is Vinselekt Michlovský, based in the well-known vine-growing village of Rakvice in South Moravia. It persuaded the jury not only with the excellent taste of its wines, but also its sensitive approach to vine-growing. Vinselekt thus became the historically first winner of the new competition.

Wine-maker of the Year – a Somewhat Different Competition

The Wine-maker of the Year 2009 competition was announced by the Wine-makers' Fund and the National Winery Centre in co-operation with the Association of Wine-makers of the Czech Republic. The prestigious title is awarded as an all-round appreciation of the winery which in the previous year best proved a steadily outstanding quality of its wines, carried awards from domestic and foreign competitions, participated in promoting Czech wines at trade fairs and exhibitions, organised dissemination activities and wine tourism events for the public, and used innovative technologies in vine improvement and cultivation and in wine making. The aim of the competition was choosing the best domestic firm which breaks rank in a positive way among wine-making companies. The wine-maker of the year competition differs significantly from standard competitions in the country, in which the competing wines are those selected by individual makers.

The Wine-maker of the Year 2009 competition assessed the vineries' work throughout the year, using a number of criteria. In mid-January 2010, the assessing commission visited five vineries which had won the most nominations, awarded points to them, and finally chose the official winner.

Bio Wine, Winner of Vinex Grand Prix Competition

Vinselekt vinery is linked with the personality of Miloš Michlovský, currently one of the most important Czech vine growers. A pioneer in biological vine cultivation, he farms 8 hectares of eco-vineyards and sells not only wines, but also ciders made from grapes bearing the BIO label. For his wine Hibernal 2008 late collection BIO, he won the champion title at the Grand Prix Vinex competition. It is the first time in the seventeen-year history of this competition that the champion was a bio-wine. The untraditional Hibernal variety has minimum requirements for chemical protection. With its primacy, Vinselekt Michlovský defended its last year's victory in competition with another wine.

Vinselekt Michlovský company is historically one of the most successful participants in this competition. It won its first Vinex title in 2006, and in 2010 gained the prize for the best single maker wine collection. The competition was entered by 373 samples, with one in every ten samples being a foreign entry.

Vinselekt Michlovský a.s., established in 1993, in 2003 became a joint-stock company. Today it has about 60 employees. It has 120 hectares of vineyards, where cultivation strictly observes integrated production rules, with part of the area practicing ecological vine-growing. In addition to its own grape production, it purchases about the same quantity from other suppliers under long-term contracts, who observe the same strict rules and instructions. The company's annual production is more than one million bottles of wine.

The highest production series is Premier, wines with a distinct taste of wines made from perfectly matured grapes processed by the most natural technologies and bottled without filtering. The Premier series include Vinum Palaviense with certified origin of the grapes coming from Pálava's limestone hills, Chateau Dowina – extractive wines with a characteristic bouquet, ripening in French oak barrels. Other product series are Latitude 49, Harmony, Passio Christi, Standard, and Private Archive for collectors. A separate category are original bottle-fermented effervescent wines Crémant de Vinselekt .

Vinselekt Michlovský Collecting Prizes

At the Wine-maker of the Year prize award ceremony, the owner of the company, Miloš Michlovský, commented on his remarkable success saying: "I am tremendously happy that the first title in history has been assigned to our Vinselekt. Although according to the competition statutes, the award should have reflected our 2009 results, I think the Jury also took into account our 'merits' of the previous year, our continuing and unending innovations, the improvement and successful launching into practice of new hardy varieties, the large number of wines we have been sending to the Wine Salon of the Czech Republic each year, and our successes in regional, national, and international wine competitions."

In the past few years, Vinselekt Michlovský wines have been champions in probably all Czech competitions. At Austria's Awc-Vienna, Vinselekt Michlovský a.s. figured repeatedly among the world's 100 best vineries, Vinselekt wines were decorated with MUNDUS Vini gold and silver medals in Germany and at Vinalies Internationales in France. Pálava 2007 grape selection is the first wine in the history of Moravian viniculture to become absolute champion in a world competition – Terravino Israel – held under the auspices of O.I.V.

Miloš Michlovský, owner of the company, appreciates the prestigious titles they have won, but at the same time says, in exaggeration, that they actually did not deserve the credit. "First of all I must thank the vineyard and the wine. The wine is the winner."

Wine is doing well in the Czech Republic, its consumption over the past few years has been rising. While in 1993 wine consumption amounted to 12 litres per person and year, now it ranges around 17 litres. Even so, however, the Czech Republic is lagging behind the rest of Europe, where average consumption is between 25 and 32 litres.

Miloš Michlovský, the founder of Vinselekt

Photo: Vinselekt archives; www.sxc.hu

Crisis Boosting Demand for "Green Buildings"

www.cbre.com

These days, we are witnessing a growing demand for low-energy, or at least energy-saving residential building projects. In commercial construction, this trend is as yet not so much in evidence, but even there the number of "green buildings" is steadily rising. A favourable feature is that the would-be tenants of those buildings are becoming increasingly aware that at the cost of higher rent they will save on energies.

Interest in "Green Offices"

It might be expected that at the time of economic crisis all firms looking for office space will only be interested in the locality – standard – price combination. Surprisingly, it is not so. Recently, it has appeared that with the decline in commercial office space rentals would-be tenants and owners are increasingly willing not only to buy "cheap", but also to invest in "green buildings".

Environmentally friendly buildings are in short supply, and so certain tenants and buyers are willing to invest in re-building their interiors so as to create a better working environment, but also to obtain a certain certification label used for energy-saving buildings, which can also be obtained for separate spaces.

There is no uniform system in the world to assess buildings with regard to environmental aspects. In a number of states there are non-government organisations dealing with this issue. In the USA, the best-known certification label is LEED (Leadership in Energy & Environmental Design), in the UK it is BREEAM, in Germany DGNB. All these systems differ from each other, but in principle all assess the "friendliness" of the building and its parts to the environment and its users.

Purchase Costs

To obtain the certificate, the building or the office spaces must meet specific requirements, for which points are allotted and the total number of points then determines the particular category. The LEED certification system has three degrees, and to attain the highest – platinum – practically all requirements must be met. The range of the areas concerned is very wide. Emphasis is placed not only on the location of the building (good public transport accessibility), the materials used, which must be based on renewable sources and provided by local suppliers, the use of renewable energy sources and various saving measures, but also things such as the possibility of using a bike for transport.

The purchase costs of environmentally friendly buildings are somewhat higher, but in future they will yield considerable savings. Also, it is to be expected that companies will give priority to "green buildings" and a good working environment, that they will take the environment into consideration, and in return will gain the benefit of lower operating costs and other advantages.

Low Energy Intensiveness

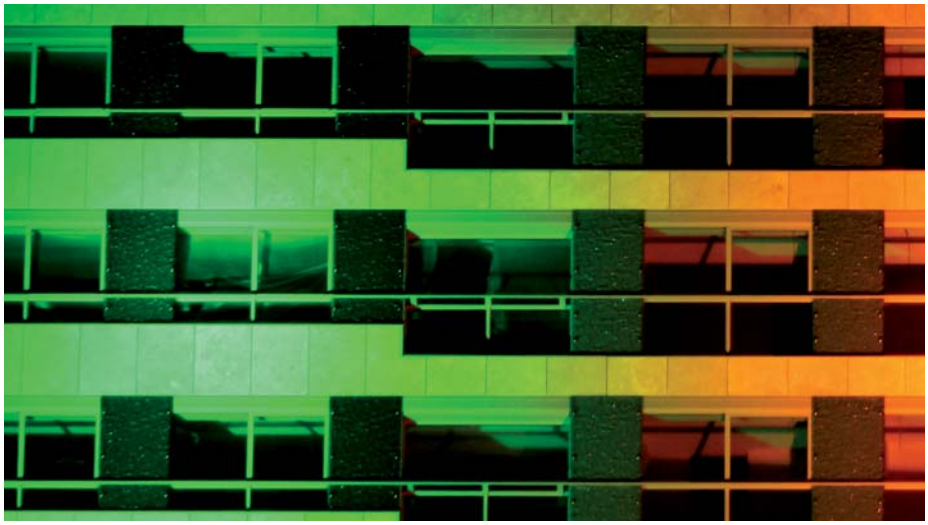
In view of the global economic crisis and problems with developer project financing, the number of "green buildings" is not growing so fast. The keen interest of investors in these buildings, however, is putting pressure on building them. The recently published survey carried out by Skanska Office Index reveals that in looking for new office space, Czech firms place emphasis on the following factors: satisfaction of employees and a good working environment, parking availability, and close vicinity of main roads.

As regards cost saving in office spaces, the most important consideration for Czech firms is energy cost savings (58% of respondents).

A full 79% of respondents said they accepted measures to reduce the environmental impact of their activities. The main eco-activity of the companies, according to the survey, is "waste sorting". The survey also showed that the lowering of energy costs is the most important factor for Czech firms in looking for and renting new office space. A full 77% of Czech respondents also said that in their opinion, energy saving was an indivisible part of every ecologically-minded building.

Futurama Business Park

An example of a "green" office building can be Futurama Business Park Administration Centre in Prague's Karlín District. It is designed as a complex of energy-saving buildings, which use the most up-to-date technologies. According to the criteria laid down by Directive 2002/91/EC of the European Council on the energy performance of buildings, the Park was awarded Class A certification, acknowledging its high energy-saving standard. There are several ways of saving energies in the complex. For example, the glazing and shading system is design so as to prevent excessive heat losses in the winter season and on the contrary to limit by shading the penetration of outer heat into the interior in the summer months. The centrally controlled shading of glazed surfaces brings up to a 20% saving of energy for cooling in comparison with buildings, which have no shading system at all. The main heat source in the complex is a heat pump in combination with an exchanger station. Heat losses will be prevented by the cooling and heating system, which will prevent the simultaneous cooling and heating of different spaces. The air-conditioning units are designed so as to use the heat from waste air by recuperation.



Together to Support Trade Opportunities

http://czech-water.czechtrade.cz


Ivan Nikl

In 2004, an export aliance named Czech Water Alliance (CWA) was established with the help of CzechTrade government agency, which is entrusted with activities aimed at facilitating Czech firms' entry on foreign markets. Czech Water Alliance associates Czech firms with experience in all areas of water management; it currently has 14 members specialising in investing, construction, designing, and planning projects concerned with water management, hydroelectric power stations, water reservoirs and other structures, pumping equipment, cleaning and revitalisation of water courses, diagnostics and the treatment of all types of water (communal, industrial, etc.), construction and reconstruction of civil engineering systems for whole residential quarters and separate units, geology, hydrogeology, waste-free technologies, control systems used in ecology and related branches across the entire water economy.

The Alliance is a response to current trends of the world economy, such as internationalising business, merging of competitors, production outsourcing and raising added value in procedurally managed companies.

The principal aims of the Alliance are promotion of its members and enhancement of the reputation of the Czech Republic in water related issues and their solutions. The ways of supporting the members of the Alliance include the organisation of seminars, publication of catalogues, overseas cooperation and ensuring participation in presentations and exhibitions, for example in Russia, China, Libya, Romania, Kuwait, Croatia, Egypt, Italy, and Greece.

The Alliance as a tool of raising the competitiveness of enterprises on foreign markets

In 2004, Czech Water Alliance became one of the first parts of the Alliance Project of the Czech trade promotion agency CzechTrade. The Agency decided to choose the most advanced Czech export-oriented branches, which it associated in Export Alliances with the aim of promoting Czech firms, their products and technologies, and acquainting foreign customers with them. "I am persuaded that Czech water management firms are absolutely legible to their foreign partners," says CWA's leader Ivan Nikl, director of MAEP, s.r.o. in Chomutov.

What is the main aim of the Czech Water Alliance?

We are trying to improve the position of Czech firms in the area of service and technology exports in water management. Thanks to the firms associated in this alliance we are in a position to provide practically the full range of services, from the presentation of the firms and their technologies to the preparation of the project, its delivery and realisation.

To ensure the success of any project, one has to choose the right strategy. What is actually your export strategy?

Our strategy is in harmony with the Export Strategy of the Czech Republic for the years 2007-2011, i.e. promotion of Czech exports. Our intention is to raise the export share of services and technologies supplied by the firms associated in the Alliance. In pursuing this aim, we want to use primarily simple tools. As before, we want to provide services for potential foreign clients and furnish support services to Czech exporters. I must not forget the efficient use of European funds available to firms operating in the area of water management. We are also taking advantage of the valuable assistance provided by CzechTrade, which is helping us make the public aware of the benefits the firms associated in CWA bring to the Czech economy.

Which are the benefits Czech water management firms can bring to foreign partners?

I am convinced that Czech water management firms are absolutely legible to their foreign partners, mainly thanks to the country's membership of the European Union, its strategic geographic position in the centre of Europe, and in particular the wide range of its reference deliveries and realisations throughout Europe and beyond. I think that a great asset is the availability of highly educated and trained experts with a corresponding knowledge of foreign languages. The products and technologies are unequivocally of the highest world standard. If, however, we do not make our foreign customers acquainted with those facts, there can be no talk of any expansion to foreign markets.

The words which you have just said may be understood subjectively; can they be measured in an objective way?

You are right. They may sound subjective. But they can be easily supported by facts. It is CWA's aim that the firms it associates be continuously benchmarked against foreign competitors. We make our own surveys to

CZECH EXPORT ADVANTAGES

What is the potential of the Czech Republic in exports? The principal advantages are the country's well-educated manpower, reasonable cost of the work of technical specialists, strategic geographical position of the Czech Republic in the heart of Europe, and close relations with Eastern Europe.

WHAT ARE EXPORT ALLIANCES?

An export alliance is an association of firms operating in related branches of business, whose products or services complement each other and the aim of which is concerted action and operation on foreign markets. Export alliances are a way of getting easier access to orders which smaller Czech firms have less of a chance of winning. The point is to get together an association of firms that will completely cover a large project, from designing and plan preparation to the supply of all parts and their assembly, and with follow-up service. CzechTrade Agency has so far initiated the creation of 21 export alliances.

SERVICES AVAILABLE TO FOREIGN PARTNERS

- Czech consulates
- 33 CzechTrade offices
- Information service
- Help with choosing a partner
- Business trips and meetings
- Investment help and advice

Photo: CWA archivesp

find out whether foreign companies are interested in firms associated in CWA. In this respect, we cooperate very closely with CzechTrade, specifically with the agency's offices abroad. We also promote cooperation with the economic and commercial sections of Czech embassies in other countries.

You also mentioned services for foreign partners; which specific services can you offer?

The character of such services is more or less informative. Nowadays, information is one of the most valuable and most expensive commodities. We want to offer foreign partners assistance in their search for suitable suppliers in the Czech Republic and offer them tailor-made business trips and meetings with Czech water management firms.

Where, besides getting information for your surveys of interest, do you see the usefulness of CWA's cooperation with CzechTrade offices abroad?

The employees of CzechTrade's foreign offices are the best ambassadors of the firms associated in CWA we can have abroad. Their experience and know-how are instruments that lead to the provision of services for foreign partners, as we said before.

What achievements can CWA and the firms it associates pride themselves on?

I wouldn't speak of separate achievements. We are a team, and the firms associated in CWA look upon their achievements as the success of the entire Alliance. Confirmation of this is the export success, for example of ASIO, s.r.o. Other successful exporters are Tesla, a.s., Centroprojekt a.s., Vapo, s.r.o., Rekuper Sychrov s.r.o., PRESSKAN system a.s. and Teco a.s., to name just some of them. Complete CWA deliveries to foreign markets are worth dozens of millions of EUR. These results could never be achieved if the firms' experts were not prepared to put all their professional skills and experiences to work to ensure their common success in meeting the highest – quality requirements placed on the technology they supply.

Does CzechTrade also figure in these endeavours in some way?

Of course it does. CzechTrade did not help us only to attain our good results. Recently, thanks to the Agency's cooperation, in particular to Mr Martin Hlavnička, we scored an export success at the presentation of water management firms in Petersburg, specifically the firms PRESSKAN and VAPO. We managed to address and win new customers, and now we are at the stage of preparing a project for the entry on the market by several members of the Alliance. With the support of the Ministry of Industry and Trade, we are now preparing for participation in exhibitions in Moscow, Munich, and Lyon.

LIST OF CWA MEMBERS

ASIO spol. s r.o.

Supplier of container packed wastewater products i.e. wastewater treatment plants, oil separators, grease traps, shaft pumping, etc.

www.asio.cz

BKG úprava vody s.r.o.

Leasing manufacturer of water treatment plants for process, drinking, and ultrapure water focusing primarily on the various developments of membrane technology.

www.bkg.cz

CENTROPROJEKT a.s.

Provider of professional design and consulting engineering services with more than 80 years experience in the civil engineering sector.

www.centroprojekt.cz

CINK Hydro-Energy k.s.

One of the leaders in deliveries of technology for small and medium-sized hydropower stations. The goal of the development team of CINK Hydro-Energy is to change water potentials in cooperation with our customers all over the world into profitable and environment–friendly sources of energy.

www.cink-hydro-energy.com

ECOFLUID Group, a.s.

Highly innovative organisation oriented to the realisation of the innovation project of UP-FLOW SLUDGE BLANKET FILTRATION (USBF) technology used in the chemical treatment of surface and ground water for municipal and industrial use as well as the biological treatment of municipal and industrial waste-water.

www.ecofluid.cz

HSI com s.r.o. Plzeň

One of the Czech most noted solution workplaces of Integraph and Bentley Systéme companies. Its activities are mostly targeted on geographical information systems. HIS COM develops CAD applications.

www.hsicom.cz

MAEP s.r.o.

A leader of CWA, company developing business relations between the Czech Republic and the EU and the countries of the Russian Federation and Asia.

www.maep.cz

MARVES v.o.s.

The company's core business is the provision of comprehensive services in the area of technological process automation. It manufactures a variety of electronics components.

www.marves.cz

MICO, spol. s r.o.

The company provides services and undertakes repairs of all industrial valves including separators, pressure vessels and exchangers.

www.mico.cz

PRESSKAN system, a.s.

The company offers its own know-how to design pressure systems and is the exclusive supplier of the PRESSKAN® low-pressure sewer system.

www.presskansystem.cz

REKUPER SYCHROV s.r.o.

The company's core activity is the manufacture of ventilation units with heat recuperation, intended in particular for hall-type buildings, including their design and installation.

www.rekuper.cz

TECO, a.s.

Is an important supplier of TECOMAT industrial controllers used by water supply and waste water plants. As TECOMAT is a powerful general purpose control system, it can be used in central heating plants, the food industry, the chemical industry, and other sectors.

www.tecomat.cz

TESLA, a.s.

The Water Treatment Solutions Division of the company has been successfully operating for several years in waterworks engineering and in water supply and wastewater treatment plants. It supplies drinking and industrial water plants, including development, planning, production, and putting the units into operation.

www.tesla.cz

VAPO, s.r.o.

VAPO specialises in two fields: rubberised fabric products and moulded mechanical rubber parts. The rubberised-fabric products include sealing bags for piping, lifting bags, sealing bags for fissures, sealing wedges and pipe rehabilitation packers. Other rubberised-fabric products are made to the specific requirements of customers.

www.vapo-sro.cz

Alta Concrete Works Kiev – a technological unit of ALTA company

Surface Finishing under the Wings of CzechTrade

Martin Mokroš, Leader of Czech Surface Finishing Alliance, e-mail: mmokros@galatek.cz, **www.galatek.cz**

The Czech Surface Finishing Alliance (CPU) was established in June 2006 with the aim of offering potential clients a strong group that will solve their problems in the area of surface finishing comprehensively, with the corresponding guarantees. It is an association of four firms – ALTA, EST+, GALATEK and OTECO – all supplying equipment for the surface protection of materials. The firms' production programmes are designed so as to complement each other, thus eliminating competition within the Alliance and strengthening its competitiveness as a whole, primarily on foreign markets.

Czech Experiences

These Czech firms offer their experience and know-how in dealing with surface finishing issues. They have a strong intellectual and material potential and in co-operation with the specific customers they are in a position to realise the surface finishing of their products to a high level. All the associated companies are certified in accordance with ISO 9001:2000 quality standard and ISO 14001:2004 environmental management standard.

Comprehensive Execution of Orders

As part of their engineering services, these Czech firms are in a position to meet the specific requirements of customers at all stages of the project. They propose the use of the most suitable technologies, with verification, prepare the complete project, including its approval, evaluate the economy of operation, and prepare expert opinions.

Under the Wings of CzechTrade

CPU was established under the auspices of CzechTrade state-run agency, the main initiator of its establishment being its representation in the Russian Federation, specifically Ekaterinburg. The Office has significantly influenced the development of the new Alliance. It recommended that in addition to arranging exhibitions, it should also focus on the presentation of their supplier possibilities, addressing potential customers, while taking advantage of the information backing and the experience of CzechTrade. Very successful, for example, were the presentations in the Russian Federation, specifically in Chelyabinsk, Ekateringurg, and Petersburg and in Zagreb, Croatia.

Establishment of Trade Contacts

The result of all these presentations is not only information about the possibilities of the Czech firms, but also the establishment of a large number of contacts, some of which have already led to the realisation of business deals. Much of the success of these presentations is due to CzechTrade Agency, which is well acquainted with the local environment. Each of CzechTrade's representations – in Ekaterinburg, Petersburg, and Zagreb – has prepared for the Alliance, on

Photo: Firms archives

the basis of its knowledge, a list of potential partners and customers. All of them have organised their own presentations, with the participation of representatives of the Czech State and local state organisations.

Trade Fairs and Exhibitions

Other important activities of CPU are its participation in selected trade fairs and exhibitions. The Alliance participates regularly in ExpoCoating in Moscow, as well as in other events, such as national exhibitions, missions of businessmen, etc.

All these activities are of great economic importance. Thanks to CzechTrade's backing, greater attention is paid to the Alliance in various programmes, and jointly organised events, such as participation in selected trade fairs, are subsidised financially. This brings valuable cost savings, especially in the area of marketing.

Membership of CPU has a number of other advantages. Besides the amalgamation of financial means for joint promotion the member firms benefit from the exchange of information about potential customers and the experiences gained in the realisation of joint projects.

CPU Members Introduce Themselves

EST+, A. S. BASED IN LEDEČ NAD SÁZAVOU

Paint Shop Equipment with Accessories

EST +, a.s. is the only manufacturer of professional spraying technology in the Czech Republic. It commenced development and manufacture of this equipment as far back as 1951. From the very beginning, its programme has been oriented towards the development and production of spraying equipment for the application of liquid and powder paints, with deliveries of sets for surface finishing.

EST+, a.s., Podolí 1237, 584 01 Ledeč nad Sázavou, Czech Republic, Phone: +420 569 726 097, +420 569 726 094, Fax: +420 569 726 096, e-mail: est@estplus.cz www.estplus.cz

OTECO CZ, SPOL. S R.O. BASED IN BUČOVICE

Shot Blasting Equipment

OTECO CZ, spol. s r.o. was established in 1992 as a manufacturing firm for Austria's OTECO GmbH Wien, a company with a long shot blasting tradition. Today it manufactures the full range of blasting equipment in its plant in Bučovice. Its products comprise both compressed air shot blasting machines and shot blasting machines with impellers. The machines are manufactured serially or are "made to measure", according to the specific requirements of customers.

OTECO CZ, spol. s r.o., Slavkovská 853, 685 01 Bučovice, Czech Republic Phone/Fax: +420 517 383 506, +420 517 383 519, e-mail: oteco@oteco.cz www.oteco.cz

GALATEK, A.S. BASED IN LEDEČ NAD SÁZAVOU

Paint Shops and Accessories

GALATEK, a joint stock company established in 1990, supplies complete paint shop equipment and surface finishing lines. Its machines and equipment for surface finishing shops comprise surface preparation equipment, paint cabins for the application of liquid paints, cabins for powder plastic compound application, drying and burning furnaces, transport and handling machines and application equipment.

GALATEK a.s., Na Pláckách 647, 584 01 Ledeč nad Sázavou, Czech Republic, Phone: +420 569 714 111, +420 569 721 121, Fax: +420 569 714 202, e-mail: lakovny@galatek.cz, www.galatek.cz

ALTA, A.S. BASED IN BRNO

Comprehensive Commercial, Financial, and Engineering Services in the Area of Engineering

Since 1991, Alta, a.s. has specialised in trading with Central and East European countries. The company's core business is engineering. Its activities comprise comprehensive commercial, financial, and engineering services, which ensure the high competitiveness of the company. It has a network of foreign representations: in the Russian Federation (Moscow, Ekaterinburg, and Petersburg), the Ukraine (Kiev, and Komsomolsk), and Belarus (Minsk, and Zhodino). These representations are one of ALTA's greatest assets. It specialises in the export of whole plants, machine tools, engineering goods, and machinery for the heavy industry. Its main import items are metallurgical and power generating machines and equipment.

ALTA, a.s. – office, Štefánikova 41, 602 00 Brno, Czech Republic Phone: +420 541 550 111, Fax: +420 541 550 555, e-mail: office@alta.cz www.alta.cz

GALATEK Continuous lines

OTECO CZ machinery

Agriculture Is Drawing Finance from Various Programmes

Communication Department, Ministry of Agriculture, **www.eagri.cz**

In the Czech Republic, the agriculture sector does not account for the largest share of GDP and employment, but its role in supplying the population with foodstuffs and its importance for the social area and the natural environment are irreplaceable.

The primary sector creates about 3% of total gross added value and accounts for 3.8% of total employment. A characteristic feature of Czech agriculture is its large farming enterprises, whereby it differs noticeably from the structure of European agriculture formed mostly by small, often family farms. The average surface of tilled land per farming enterprise in the Czech Republic is 84.2 ha. The priority task of agriculture, besides supplying good-quality food, is to ensure environmental protection, including good living conditions for animals, use of renewable energy sources, and care for the countryside.

Rural Development Raises Competitiveness Not Only in Agriculture

The Czech Republic's Rural Development Programme covering the 2007-2013 period is an instrument for obtaining EU support from the European Agricultural Fund, which serves four rural development purposes: to improve the competitiveness of agriculture, food production, and forestry (axis I), raise biological diversity, protect the water and the soil and mitigate climate change impacts (axis II), improve the quality of rural life and support the diversification of the economy of agriculture (axis III), and help the local population in rural micro-regions to prepare their own development strategies based on the "from bottom to top" principle and support projects for their development – the LEADER method. The total volume of finance available for the Rural Development Programme, together with a contribution from the state budget, amounts to about CZK 100 billion (EUR 3.6 billion) for 2007-2013.

The following measures are focused on business promotion outside the agriculture sector within axis III:

Measure III.1.1 Diversification of non-agricultural activities. The measure supports farmers wishing to start activities in the area of production and processing, or enlarge them. The support is available for selected areas of economic activity. An important part of the support is reserved for the construction of facilities for renewable energy source processing and use. The budget for the entire period of the programme is approx. CZK 3.8 billion (approx. EUR 150 million).

Measure III.1.2 Support for starting enterprises and their development. The measure is aimed at supporting the starting of new enterprises of the smallest size – micro-enterprises and the development of existing ones in the area of production and processing. The aim of the measure is primarily to create new jobs and develop the economic structure of non-agricultural activities. The support is mainly focused on small businesses and trades (e.g. joinery, carpentry, smith craft, upholstery, etc.), services for farmers (e.g. machine and equipment repair services), and retail trade. Support is also available for the construction of renewable energy processing

Photo: www.sxc.hu, NEVA-TRADE archives

facilities – the budget for the programme period amounts to approx. CZK 2.6 billion (approx. EUR 100 million).

Measure III.1.3 Tourism support is designed to support the promotion of agrotourism, especially the construction of low-capacity accommodation facilities, including catering and sports surfaces. Support can be obtained for pedestrian path building and marking, with rest areas or riding paths; the budget for the programme period is approx. CZK 2 billion (EUR 80 million).

Application Processing

All the measures mentioned above apply to projects submitted within application reception deadlines. The applicant requesting the subsidy must first prepare the project according to a binding project outline shown in the Applicant Rules (the Rules are available at www.mze.cz or www.szif.cz), to which the required annexes must be attached. As soon as the reception of applications opens (usually announced once a year), the applicant will complete the application form and submit his project to the regional department of the State Agricultural Intervention Fund, which is the financing agency. At that moment the applicant can start work on the actual realisation of the project. As in the case of most measures, the subsidies are paid in retrospect. The applicant will first realise the entire project and pay for it, and after that will submit an application for payment, together with the required documents. If all requirements are met, the subsidy will be paid. In the case of the above-mentioned measures, the subsidy is up to 60% of eligible expenses.

Fisheries Operational Programme

Another subsidy title for drawing money from EU funds coming under the competence of the Ministry of Agriculture is the Fisheries Operational Programme 2007-2013 (Fisheries OP). Under this programme money can be drawn from the European Fisheries Fund (EFF) for the years 2007-2013 for the fisheries sector. Subsidies made available from the Fisheries OP amount to CZK 1 billion (approx. EUR 290 million). The subsidies are designed for micro-enterprises and small, medium-sized, and certain large enterprises.

Subsidies are provided on the basis of applications to be submitted within the time limit announced by the Minister of Agriculture. Subsidy applications are to be addressed to the regional department of the State Agricultural Intervention Fund in the region, in which the project is realised. The subsidy amounts to 60% of the eligible costs of the project and is paid out after the payment application is approved.

More detailed information about the terms and conditions for obtaining a subsidy under the above measures can be found on the web sites of the Ministry of Agriculture (www.eagri.cz) and the State Agricultural Intervention Fund – SZIF (www.szif.cz).

Poll of Successful Companies Operating in the Areas of Ecology, Agriculture, and Wood Processing

NEVA-TRADE, s.r.o.

Husova 537, 378 21 Kardašova Řečice
Phone: +420 384 377 121
E-mail: neva@neva.cz, www.neva.cz

Turnover: EUR 5 million
Number of employees: 130
Export: 90% of production

NEVA is a Czech engineering company with a long tradition of excellence in the manufacture of thin-cutting machinery. The company first opened its doors in 1793 and now NEVA machines are in production in over 30 countries worldwide.

Neva machines are designed to cut wood into precision thin slats and are known world-wide for their quality, reliability, and longevity. We produce:

- Thin-cutting frame saws
- Thin-cutting band saws
- Saw blade and band grinders
- Stellite saw blades and bandsaw blades

The machines and tools that we produce are designed for cutting very thin and accurate wooden lamellas. These lamellas can be used without further processing in a variety of applications including flooring, parquets, multilayer boards, windows, doors, furniture, sport equipment and music instruments.

Your company is a regular participant in the various international exhibitions that occur throughout Europe. What do you expect to achieve by participating? Has your participation brought good results for sales?

Our company participates in these events in order to get new contacts and trade partners. We frequently introduce new machinery and technology, and also use these occasions to strengthen our existing contacts. In recent years, our focus has been more about meeting with our current customers and enhancing our position in the market.

How are you tackling the consequences of the economic crisis, and how do you see the future of the company?

We have adjusted the capacity of production to meet the lower demands, and have reduced our costs, just as most companies are doing. We are seeking new markets and are being creative in our marketing in order to increase sales and reduce costs.

JIP - Papírny Větřní, a. s.

Papírenská 2, 382 11 Větřní
Phone: +420 380 909 231
Fax: +420 380 909 274
E-mail: info@jip.cz, www.jip.cz

Turnover: EUR 80 million
Number of employees: 750
Export: Exports go to Germany (16%), Slovakia (11%), the United Kingdom (8%) and other countries.

JIP – Papírny Větřní, a. s. endeavour for long-lasting prosperity is based on tradition, high quality, flexibility, and super-standard relations with our business partners. Due to successful sales around the globe, we have extensive experience in the field of wrapping and printing paper and can offer a broad range of paper for all purposes.

What are the advantages of the paper you make? What properties would you emphasise? How are they achieved?

We are focused on special thin paper primarily designed for food wrapping. Our main segments include paper bag manufacture, paper waxing, lamination and printing, and other production includes ribbed paper, and wet-strength and grease-proof paper. JIP has equipment for the annual manufacture of 3 000 tons of paper bags, 10 000 tons of sheets, and 500 tons of paper with flexographic print. The main advantages of JIP paper are super-standard quality and hygienic accreditation for food contact awarded by the renowned company ISEGA.

Great emphasis is being laid on environmentally friendly manufacturing. How is your company taking care of the environment in this respect?

We are in compliance with all valid environmental standards. The most recent significant investment in this area included the construction of a new waste-water treatment plant, and the change of fuel from coal to natural gas. Reference must be made of the increasing share of recycled paper, which is coming close to 1/3 of the total fibre consumption. The planned strategic investment will be focused on ecology, specifically on further increase in the share of recycled paper and change of fuel to biomass.

GEOtest Brno, a.s.

Šmahova 112, 627 00 Brno
Phone: +420 548 125 111
E-mail: trade@geotest.cz, www.geotest.cz

Turnover: EUR 16 600 000
Number of employees: 133
Export: Turnover of exported services ranges around EUR 1.1 million; services are the same in the Czech Republic and abroad.

GEOtest Brno, a.s., is one of the largest Czech companies operating in geology and environmental protection. It is a reliable partner with a tradition of more than 40 years and an established, experienced team of professionals with a long practical international experience. GEOtest Brno, a.s. provides services in the following branches: protection and remediation of groundwater and rock environment, disposal of old ecological burdens, hydrogeology, geotechnical work and engineering geology, geophysics, environmental studies (Environmental impact assessment – EIA, environmental audit, environmental risk assessment, feasibility studies), management systems (ISO 9001, ISO 14001 or EMAS, IPPC, OHSAS), waste management, landfills, cleaner production, hydro-chemical laboratories, and soil-mechanics laboratories.

Where do you see the main interest of your clients at this time?

It is especially engineering geology research for motorways and roads.

Can you mention some of the largest and most important projects of your company abroad?

Very important are our operations in Bosnia and Herzegovina – we are supplying technology for the introduction of an integrated system of waste management in the Una-Sana Canton. Another large project is in Mongolia, where we are helping in areas suffering from drinking water shortage; technology for water treatment and protection of water resources.

TOP FIRMS IN CZECH AGRICULTURE, ECOLOGY, AND WOOD-PROCESSING INDUSTRY

Name	Based in	Sector	Contact
Imos Brno, a.s.	Brno	construction of water-management, engineering and ecological structures	www.imos.cz
AGRICO s.r.o.	Třeboň	grain processing and storage, breeding	www.agrico.cz
ŽDB Group, a.s.	Bohumín	wire production, foundry, and metallurgy	www.zdb.cz
Dřevotvar - Řemesla a Stavby, s.r.o.	Chýnov	cabinet-joinery, special building work	www.drevotvar-ptak.cz
Veolia Voda Česká Republika, a.s.	Praha	water production and distribution	www.veoliavoda.cz
Živa zemědělská obchodní, a.s.	Klášterec nad Orlicí	machines sales and service, farming, wood production	www.ziva.cz
A.S.A. České Budějovice, s.r.o.	České Budějovice	waste disposal and communal services	www.asa-cz.cz
Beskyd Agro, a.s.	Palkovice	agricultural and forestry production	www.beskydagro.cz
Zemcheba, s.r.o.	Vodňany	agriculture, fruit-growing, livestock production	www.zemcheba.cz

Photo: Firms archives

DOING BUSINESS in the Czech Republic

PP Agency is offering a new issue, 17th in line, of Doing Business in the Czech Republic, an exclusive publication jointly prepared by organisations such as the Ministry of Foreign Affairs, the Ministry of Industry and Trade, the Ministry of Finance, the Ministry for Regional Development, the Czech Chamber of Commerce, the Confederation of Industry of the Czech Republic and others.

This annual publication features economic, business, and practical information, essential to foreign businessmen and investors for successful trading on the Czech market. An integral part of Doing Business in the Czech Republic is a directory of commercial institutions, associations and companies interested in establishing ties with foreign partners.

The publication can be ordered in English, or Russian at www.ppagency.cz

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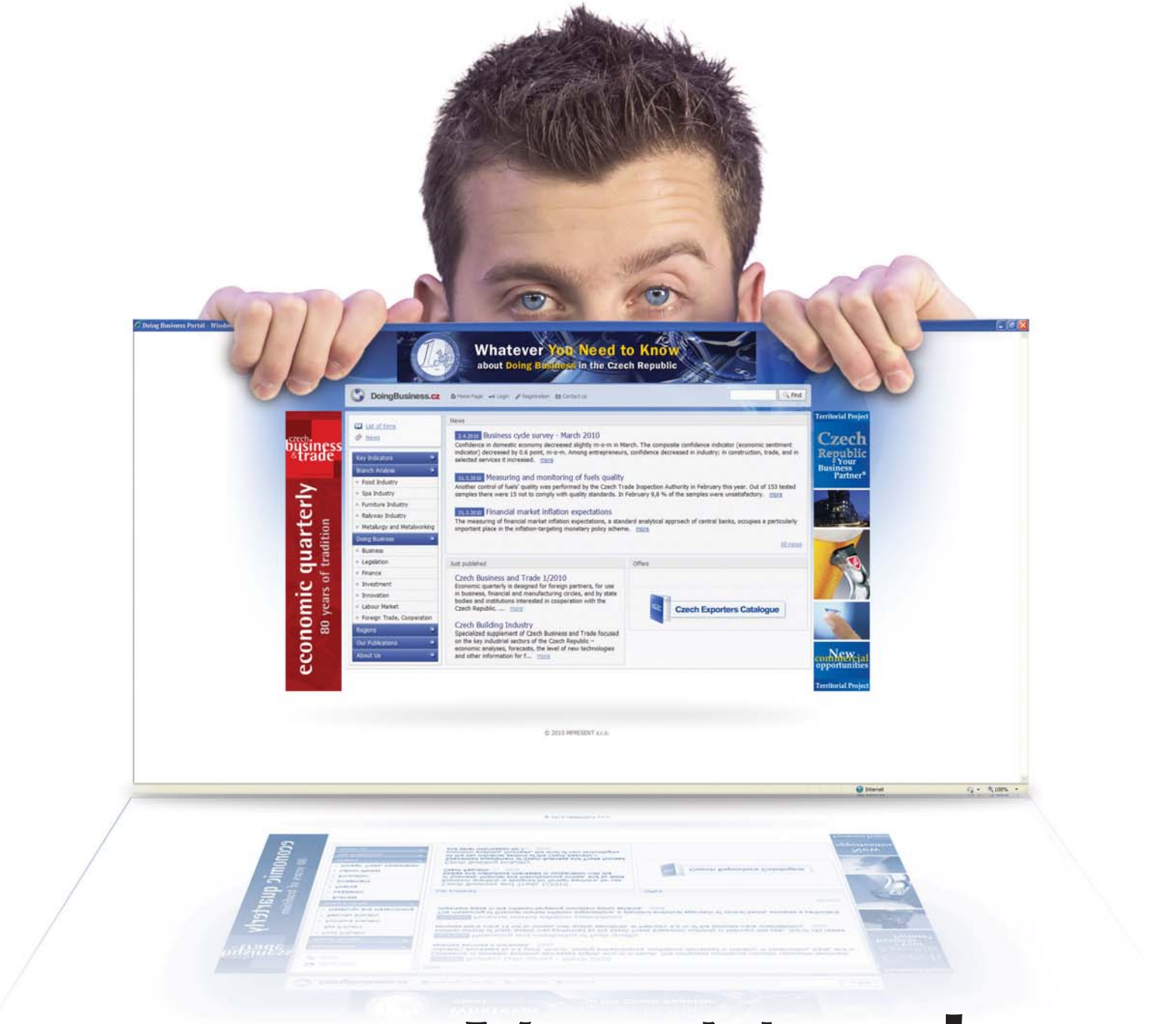
www.doingbusiness.cz



Whatever You Need
To Know About
Doing Business
in the Czech Republic

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