

Resources

The World from the Ground Up: Poland

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Poland/Ukraine Euro 2012: Laying the Foundations for Financial Success

As the Beijing Olympics recently confirmed, prominent sporting events have become a favorite tool of urban planners for large-scale redevelopment. One of the next such redevelopment undertakings is taking place right now in Poland as it prepares for the quadrennial regional soccer tournament, Euro 2012. Spanning twelve different venues in two countries, Euro 2012 will provide the first sports-related redevelopment opportunity in the former Eastern bloc region.

The Euro 2008 soccer finals were co-hosted by Austria and Switzerland. A glance at this widely watched tournament's economic impact could be a valuable economic predictor for Euro 2012. Polish and Ukrainian decision makers have been upbeat predicting an expected economic impact of co-hosting Euro 2012 that ultimately justifies the means. What long-term economic impact Euro 2012 may have on these ex-Soviet bloc countries' economies remains to be seen as some looming obstacles stand squarely in the way of success, not the least of which are cash-consuming infrastructure and stadium renovations such as those currently underway at the National Stadium in Warsaw. Are economically nascent countries like



Poland ready for such a public financial commitment to venue and transportation revitalization?

Potential for Success

While hundreds of millions of soccer fans across the globe readied to witness the final matches of Euro 2008 this past June in Austria and Switzerland, the consultants at Rutter & Partners were crunching numbers and estimated Euro 2008 would carry \$358 million into the Swiss economy, while consultants with SportEconAustria calculated that Austria would receive \$369 million. These numbers may seem respectable at first glance, but the main concern must center on whether the profits exceed now, or eventually exceed, the investment made to garner them.

According to UEFA Euro organizer Martin Kallen, “Euro 2008 was the most successful tournament on record as net earnings were €250 million as compared to €223 million collected in Portugal for the 2004 tournament. The Euro 2008 total box office was €1.3 billion versus an €52 million total box office for Portugal 2004.” Profits stayed close to home as well with “...€450 million of earnings being distributed among the UEFA member federations. The earnings were higher in all aspects including broadcasting rights, ticket sale and sponsorship. Broadcasting earnings were €800 million (€560 million in 2004), tickets earnings were €90 million (€80 million in 2004) and sponsorship earnings were €130 million (€29 million in 2004).” Fortunately for the future of European soccer, much of those earnings will be invested in programs related to the furthering of European soccer, with a focus on Euro junior divisions and women's soccer until 2012. In essence, the organizers were well-compensated for their efforts, but the extent to which the economies of the host countries have fared is as yet unknown. The overall positive financial outcome could bode well for Polish and Ukrainian economies, but it must be noted that the Swiss and Austrians boast an updated stadium and infrastructure system that could generally support the estimated 1 million-person influx of fans and tourists and didn't require the renovation and expansion on the vast scale that Poland and the Ukraine requires.

Polish Plans for 2012



The government of Poland will figure largely as a source of investment capital to renew transport and stadium infrastructure and thereby attract outside investment for hotels and other private ventures. Surprisingly, stadiums account for less than 10% of the total spending as roads and railways will consume \$27 billion worth of the nearly \$40 billion infrastructure budget. Simply stated, getting to Poland and getting around in Poland will eat up a majority of the investment purse.

Projects to accomplish much of this growth are varied. Line item examples of infrastructure costs associated with these renovations include \$17.8 billion to be spent on assorted road projects including renovations to sections of the A2 and A4 motorways, a complete renovation of the A1 motorway, and the building of the S5 highway connecting the city of Wroclaw via Poznan to Gdansk. Warsaw will also need to finish the first metro line and build the second one which has yet to be started. Modernization of 6 airports in participating cities as well as two new ones in Modlin and Gdynia and modernization of railroad tracks between the cities including station improvements must also take place. Around the National Stadium in Warsaw plans are in place to construct a 15,000-seat indoor arena, a new railway station, an updated hotel, a covered Olympic swimming pool with seats for 4,000 spectators, a meeting hall and a metro station on a yet-to-be built subway line.

Tourism experts estimate that some 500,000 fans from various parts of Europe will descend on Poland for the Euro 2012 games.

However, Polish cities including Warsaw with around 30,000 hotel rooms may not have enough hotel space to satisfy current demand, let alone manage a major event. Throughout the next four years, the amount of the hotel rooms in Poland is expected to increase from 73,000 to about 100,000. Four hotels are currently being built in Warsaw proper, and it is hoped that their rooms will go a long way toward satisfying current demand and at least assist in future demand for the tournament. To aid in creating incentives for hotel development, Warsaw officials are offering investors property tax breaks.



Luckily for Poland's housing needs, 8 of the 10 largest hotel groups in the world are already active in the country. The majority of these groups have further investment plans - Hilton, Holiday Inn and Orbis Accor plan to build new hotels while other brands, including Choice Hotels and Akena Hotels, are currently preparing to enter the Polish market. According to the Polish Institute of Tourism, around 100 new hotels will be opened in the country each year until 2012.



Of course, the primary challenge is to complete the planned work on time as well as on budget. One significant project that casts particular doubt on the ability of Polish organizers to execute effectively on the myriad projects that must be completed on schedule and budget is the National Stadium in Warsaw. Currently utilized as the largest European bazaar, the Stadion Dziesięciolecia, as seen left, is in a state of disrepair and major renovations such as a resurfacing of the field and a massive parking garage must be completed in a relatively short amount

of time to be ready for the games. Already in shabby condition, the stadium, constructed mostly with rubble from buildings destroyed during the Warsaw Uprising of 1944, had been abandoned since 1983 due to technical problems. In 1989, the City of Warsaw rented the stadium to a company that turned it into an outdoor market called Jarmark Europa which soon became one of the biggest bazaars in the world. With an estimated 5,000 registered traders it is the biggest venue of its kind in Poland. Official figures state an annual turnover of 500 million Polish zloty

or \$238 million which creates jobs and helps support the local economy--more reasons to expect public outcry and resistance to new suggestions for use.

The new stadium will drive out the bazaar, re-terrace the seating, create underground parking for over 1,700 cars by raising the field 8 meters, and place an architecturally astounding roof on top of it all seen [here](#) and another more humorous outcome can be seen [here](#). Regardless of the outcome, much work, planning, and harmonious government relationships need to be realized. The games are fast approaching prompting concern as recently as October 5 from UEFA that if crucial requirements are not met, Poland could lose its host status. UEFA communication director, William Gaillard explains: "In the document certifying the organization of Euro 2012 in Poland and Ukraine there is a clause stating that both football federations have good relations with [their] governments. In [the] case of Poland this term is no longer fulfilled."

Macro Indicators in Poland

The overall economic situation in Poland is remarkably better than Euro 2012 short-term conditions may suggest. While the demographic trends in Poland are decidedly less favorable than those in central and southern Europe because fertility rates have been lower, Poland has catch-up demand for modern office, industrial, retail, and residential space which lends itself to attracting foreign investment from countries such as the US where commercial and residential markets point toward at least a short-term stagnation. On the jobs front, Poland and the Czech Republic are beginning to shift from basic industries to services—a transition that generates office demand. Overall, when compared to the US, Poland is at an earlier stage in the growth cycle. Much needed infrastructure investments and domestic consumption will hopefully continue to buoy the economy even if demand from struggling western major trading partners wanes.



Another reason 2012 is a significant year in Poland is that that is the year Poland plans to have its books ready to be considered for entry into the euro zone and eventually begin using the Euro as its home currency. For the past several years, Poland has been striving to meet stringent conditions for entry into the EU, but this entry may now be in need of reconsideration. "The current situation prompts a rethink of the euro entry date," Polish central bank chief Slawomir Skrzypek told daily Rzeczpospolita in an interview. Some major politicians have other ideas. Prime Minister Donald Tusk, who announced the 2012 euro goal last month, dissented: "Poland would feel safer if it were even more closely integrated with the EU by joining the euro zone... I will propose as ambition a schedule as possible," he said. Regardless of this ambition, several economists have said the goal is unrealistic when considering the domestic political obstacles.

Recent Banking Turmoil

Several high-ranking officials have spoken out with confidence on the state of the Polish banking system. "In the worldwide financial turbulence, the Polish banking system is still stable and safe, the government announced on Monday." The Prime Minister also expressed his confidence by saying, "Today one can speak with calm about the Polish banking system. Looking at other developed European and world countries, Poland is an island of stability, and there is no reason for anxiety," he stressed.

Additionally, the president of Poland's central bank, Sklawomir Skrzypek, said that the National Bank of Poland (NBP) has launched a "confidence package" designed to protect the national bank system against the global financial crisis. He also declared that the Polish banking system was solvent and safe. Meanwhile, Finance Minister Jacek Rostowski recently held a news conference at which he announced that Poland would be able to bring in new funds into the country's banks if necessary, but that there is no such need to do so in current circumstances. "When it comes to ensuring additional capital, the Bank Guarantee Fund will be able to do that if needed, including recapitalization of banks," Rostowski said.



An upside note is that numbers from the national bank indicate that inflows of Foreign Direct Investment (FDI) to Poland are still on an upwards trend, averaging over €1 billion per month. This not only means new manufacturing and assembly plants, such as Lenovo's computer factory in Legnica, Toshiba's LCD TV plant in Kobierzyce and Procter & Gamble's investment in an FMCG production facility; Poland is attracting jobs requiring highly-skilled workers despite a recent trend of highly-educated Polish engineers and other valuable employees seeking higher paying jobs in Germany. Finally, while closing over 60 stores in its

flagship US market, the long-awaited debut of Starbucks in Poland is scheduled for 2008, and it could prove interesting to see how Starbucks fares in this untapped market.

Looking Forward

While the precise level of economic impact the Euro 2012 matches ultimately have on Poland and the Ukraine remains unclear, much-needed renovations to both countries will certainly be achieved on a wide scale and leave the respective countries with a renewed sense of accomplishment and national pride. As western countries reach the mature stages of growth, and even experience a recession in 2008, we will be forced to look abroad for invest opportunities in commercial and residential real estate located in countries that are starting to swing upward. While far from perfect now, countries like Poland are beginning to flex their economic muscle and make a good entrepreneurial case for why they may soon be viewed as powerhouses rivaling many of their advanced neighbors.

For more information on the Polish real estate market, Euro 2012, and some interesting videos explore these links:

http://amcham.pl/File/pdf/wojciech_pisz.pdf?PHPSESSID=0b9e9f173750238086f7f4045e7b813d

<http://www.property-krakow.com/en/resources>

[Facilitating the Free Movement of People within the Framework of EU 8211 Ukraine \(PDF\)](#)

<http://greeceinfo.wordpress.com/2008/02/11/national-stadium-of-poland-ready-to-roll/>

<http://www.poland2012.net/>

<http://www.poland2012.net/category/articles/>

<http://www.youtube.com/watch?v=R1WGoVXxkJQ>

<http://www.youtube.com/watch?v=aWwzeJk7puQ&feature=related>

[Last UEFA Euro 2008 was a financial success according to organizers](#)

<http://in.reuters.com/article/businessNews/idINIndia-35951020081014?sp=true>