

HYDRO POWER PLANT ON THE ODRA RIVER

The Canadian company ESI Ecosystem Ltd. has just started building a small hydro power plant on the Odra river in Poland. On December 7, Ambassador Donald McLennan participated in the ground-breaking ceremony on the construction of the first – of 12 – low-head hydro power plants. This project is realized by the Polish-Canadian joint venture EGO-Odra Sp. z o.o. with the Polish partner, Pumped Storage Power Plants, and the Montréal-based ESI Ecosystem Ltd. The first power plant cost about US\$4 million, and the Canadian hydro-generating equipment will be worth about C\$2 million. This project has been initiated under the umbrella of the MoU on Environmental Co-operation signed between Industry Canada/Environment Canada and Poland's Ministry of the Environment, and will qualify as a Joint Implementation Project aimed at climate-change mitigation in a manner consistent with the Kyoto Protocol (reduction of carbon dioxide emissions). For more information, contact:

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presence. Among foreign housing-construction companies, German, Austrian and Scandinavian firms dominate. Wood-frame housing is used mostly by Swedish, U.S. and Canadian companies. There is a growing number of Polish companies that are patenting their own wood-frame or steel-frame technologies and successfully competing in price with foreign companies.

Other Information Sources

Sectoral news, tender announcements and links for Poland:

<http://www.budinfo.pl> (Polish only)

Industry Canada: <http://strategis.gc.ca>

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CZECH REPUBLIC

Czech construction output continues to grow quickly. In 2001, an 11% year-on-year growth was attributed to the 15.8% growth of transportation investments and development projects. Companies involved in infrastructure and engineering projects

were primarily responsible for the growth, as were construction companies. The amount of exported construction work had a 30.5% growth between March 2000 and March 2001, due to a large number of infrastructure projects, especially railway projects and city bypasses. The influx of foreign investors went up, reaching a height of US\$5.1 billion in 1999. Over 25% (US\$1.6 billion) was invested in construction of new shopping centres, supermarket chains and hypermarkets. This influx of foreign direct investment should continue in 2002. To deal with the housing shortage, the government is supporting the housing sector by offering incentives to encourage investment in housing construction such as the Housing Fund, which offers financial support programmes to municipalities. Building societies, mortgage loans, interest-free loans, and repair and reconstruction of old panel blocks are of the highest importance. Moreover, banks in 2001 offered an affordable mortgage loan at 4.5%.

The **key growth sectors** are construction of supermarket chains and commercial centres, construction of family homes, reconstruction and renovation of older panel block houses, and wooden building materials.

Market-access Considerations

A local partner is absolutely essential to provide insight into Czech business practices, market characteristics and strategies, as well as legal, financial and import procedures. Canadian investment has mostly been present through the Four Seasons Group, which opened a hotel in February 2001, and TrizecHahn (TriGranit), which completed shopping/multicomplex centres in Slovakia and the Czech Republic.

Major Competition

Major construction companies include Skanska (which bought IPS), Stavby silnic a zeleznic (SSZ), Metrostav, ZS Brno and Vodni stavby Bohemia (VSB). Market capitalization of these companies represents over 50% of the construction-industry market.

Other Information Sources

Czech Invest Agency: <http://www.czechinvest.org>

Czech Trade Agency: <http://www.czechtrade.cz>

Ministry of Industry and Trade: <http://www.mpostav.cz>

ABF – Foundation for Architecture and Construction Development:

<http://www.abf.cz>

IKAS – information office for construction: E-mail: ikas@ikas-praha.cz

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SLOVAKIA

For 2001, the total volume of construction is estimated at C\$3.5 to C\$3.7 billion. New construction can be broken down into non-residential non-industrial (36%), civil engineering (28%), non-residential industrial (18%), residential (15%) and hydraulic engineering (3%). Slovakia has exports of masonry and concrete materials of C\$2 billion per year (mortars and fibre-cement products, building ceramics, glow-resistant materials and silicate prefabricated elements). Imports of construction materials amount to C\$1.4 billion per year (bricks, building ceramics, stone, fixtures and wood products). From Canada, it is mostly roofing materials, waterproofing materials, and fire prevention and security installations. Non-residential and industrial buildings use construction techniques and materials that are similar to Canada's, but, for family homes, the Slovaks prefer masonry homes or houses built from silicate prefabricates, which are less expensive than imported Canadian-style prefabricated or wood-frame homes. This is why the latter account for only 3% of the import market—pricing of Canadian prefabricated homes, higher overseas transportation costs and lack of local workers skilled in these techniques appear to be prohibitive. Canadian exporters are more successful if they import some parts and materials for prefabricated homes and thus benefit from less expensive local labour, materials and transportation costs.

With a shortage of 150,000 to 200,000 housing units, the government, along with the private banks, developed subsidized building savings, subsidized mortgages and loans for individuals, as well as direct subsidies for municipalities through the State Housing Development Fund. Since most new construction will be concrete apartments, worth C\$600 million to C\$1 billion, Canada has some progressive and cost-competitive technologies to offer. There are also some opportunities for the export of materials and joint ventures for single-family homes as well.

Infrastructure construction is apparent, since, in 2001,

Slovakia spent C\$320 million, 31% more than in 2000, on construction of four-lane highways, tunnels and bridges. Also, the rebuilding of the European Railroad corridor through Slovakia (from Bratislava to the Polish border) was begun for C\$55 million, with C\$23 million being spent in 2001. These projects created many smaller projects that were planned and financed by municipalities. However, no major construction activities in other areas such as airports, dams and transit pipelines are planned for 2002.

While non-residential and industrial building is almost completely stopped due to budget restrictions, the picture for **industrial construction** is more optimistic. The volume of foreign investment into Slovakia has grown rapidly since 1999, and many new greenfield or brownfield projects have been started, while new ones are planned. Companies that plan to build new plants or expand existing ones include Volkswagen, Whirlpool, Siemens and U.S. Steel. Newly set-up industrial parks offer many incentives to smaller foreign investors for their production facilities. Slovakia is going through a building boom of new large supermarkets and shopping centres by large international shopping chains (such as Tesco, Carrefour, Billa and Metro). Thus, Canadian companies can export construction technologies for industrial/commercial buildings, materials and specialized installations such as fire-prevention and security systems.

Major Competition

The biggest construction companies, based on 2000 net revenues, are Hydrostav, Doprastav, Vahostav, Inzinierske stavby - Kosice, ZIPP and Sibamac. Currently, 26% of companies have more than 500 workers, while 38% have more than 20.

Other Information Sources

SARIO - Slovak Agency for Foreign Investment: <http://www.sario.sk>

Ministry of Construction and Regional Development: <http://www.build.gov.sk>

Association of Construction Companies-Slovakia: <http://www.zsps.sk>

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