

Puławy and Lublin carve FDI niches

THE CITIES OF PUŁAWY AND LUBLIN HAVE BOTH CARVED OUT NICHES TO ATTRACT INVESTMENT, THE FORMER HAVING ESTABLISHED A REPUTATION IN THE CHEMICAL SECTOR BUT ALSO IN SCIENTIFIC RESEARCH AND THE LATTER AS A WELL-CONNECTED ACADEMIC CITY. BUT, SAYS COURTNEY FINGAR, THEIR RESPECTIVE SPECIALTIES COMPLEMENT EACH OTHER



Monumental: Grupa Azoty, Poland's largest chemical company, employs more than 4000 people

Nestled along the Vistula River in the 'land of loess gorges' in the western part of Lublin province – a hiker's paradise punctuated by ravines, gorges, forests and hills that have inspired rich folklore – the small Polish city of Puławy has many eye-catching sites surrounding it. But it is a man-made structure – perhaps less pretty and more practical, but important in its own right – that one can see for miles when approaching the city.

The high-reaching towers and industrial silos of Puławy's chemical factory – for which it is synonymous in Poland – dominate the horizon. The sprawling industrial complex is impressively imposing in its economic significance as well. Now owned by Grupa Azoty, Poland's largest chemical company and the EU's second largest nitrogen fertiliser company, it employs more than 3300 people.

The factory does not just loom large in local terms: as the country's top producer, Grupa Azoty Puławy accounts for more than half of Poland's domestic production of nitrogen fertilisers. Its melamine, caprolactam, polyamide and other products also enjoy a strong position in the chemical sector. The company exports nearly half of its products, to more than 50 countries. For the past decade, it has never posted a loss, even during the financial crisis.

And Grupa Azoty has channelled its growing revenues into investment in its Puławy facilities: its annual capital expenditure budget in the past few years has reached 300m zlotys (€71.7m). Among the large-scale projects undertaken are an upgrade of the urea unit, resulting in a pro-

duction increase of 25%; construction of a flue gas desulfurisation unit, the first project of its kind in Europe, set to reduce emissions by nearly 80%; and construction of a new fertiliser unit for the production of liquid and solid fertilisers.

Expansion is taking place on the land of a nearby special economic zone (SEZ) which overlaps with the plant's territory, an area demarcated as the 'Puławy subzone' of Starachowice SEZ. As the main economic engine of the region, Grupa Azoty, which has more than 20 facilities across Poland, has taken on responsibility for economic development in Puławy, and so is not only investing in the zone itself but also is looking to help attract foreign companies to it. The subzone has four plots dedicated to foreign investors, which could benefit from the maximum level of state aid that can be provided in Poland. This includes a tax exemption of up to 70% of incurred investment expenditures and up to 70% of two years of labour costs.

Helping hand

Despite all its new developments, the core of the plant dates back to the 1960s, when the Polish government decided to build on the site. But the modern, efficient facility that can be seen today is keeping pace with, and staying ahead of, technological curves by investing in innovation.

"Our main competition comes from the east – Russia and Ukraine – but they are less efficient in their installations than us. Our major goal is not just to be a big chemical producer but to give our clients value. That's why we provide programmes of education for our



German company ABM Greiffenberger's Lublin plant

employees and our distributors... That's why we are looking to science," says Dr Zenon Pokojski, vice-chairman of the board of Grupa Azoty Puławy, responsible for strategy and development and production support.

As part of its support for scientific study, Grupa Azoty has a long-running collaboration with the New Chemical Syntheses Institute (INS), a state-owned research institute located near the plant, employing 400 people, 130 of them in R&D. The company is also consortium coordinator of the Puławy Competence Center, Poland's first agricultural think tank, bringing together entrepreneurs, producers and research institutes.

INS is one of five major scientific research institutes in Puławy – a number that is unique in Poland for such a small town (it has fewer than 50,000 inhabitants). A new addition to the already-strong local research cluster is the Puławy Science and Technology Park, which was opened in May 2012, and contains more than 12,000 square metres of office, production and lab space. INS has two labs there, including the only lab in Poland researching and producing biodegradable materials.

Missing link

If Puławy has carved out a reputation as a centre for science and research that belies its actual size and its pastoral setting, this would not be possible were it not for its close proximity to the larger city of Lublin, the capital of the voivodeship which shares its name.

Less than an hour's drive from Puławy, Lublin is a charming city of 350,000 inhabitants with a castle and beautiful medieval old town. It is also an academic city, with nine universities and colleges hosting nearly 90,000 students each year, many of them in technical disciplines.

Lublin offers another advantage on which Puławy, and its SEZ, can draw: an airport. Lublin province is luckier than other parts of eastern Europe (see story on page 55), many of which suffer from poor connectivity. The city also has direct train service from Warsaw, which is not the case for some other eastern

Polish cities of comparable size, and a new bypass road should improve ground transport. Lublin airport opened in December 2012, and served roughly 200,000 passengers in its first year of operations. Some 300,000 are expected this year. Hungary-based airline WizzAir is to set up a base at Lublin in the third quarter of 2015, which will bring more flight options.

The airport has been a boon to Lublin's own SEZ as well, providing tenant companies with easier access to European locations. The 'Lublin subzone' of Euro-Park Mielec was set up in 2007 and occupies 116 square kilometres near the airport and bypass.

ABM Greiffenberger, a German supplier of drive solutions for machinery, equipment and mobile devices, was attracted to Lublin in part because of this enhanced connectivity. Three years ago, the company decided to shift some of its production from Germany to central or eastern Europe.

Robert Bronisz, director of the ABM Greiffenberger Lublin plant, says the company was attracted to being in an SEZ location and was eyeing sites elsewhere in Poland and in neighbouring countries, but what helped swing it for Lublin was the labour cost competitiveness, the roads and facilities, and the prospect of the airport opening. But more important was the availability of skilled workers. "The biggest advantage here is the huge market for employees, and the universities providing graduates with technological backgrounds. We could find all the workers we needed here in the local workforce," he says.

Production started in ABM Greiffenberger's new 11,000-square-metre facility in January 2015, with 130 employees and counting, and so far it "has exceeded expectations" for productivity, according to Mr Bronisz.

Ongoing process

Despite such positive reviews, Dr Mariusz Sagan, a director at the Lublin City Hall's department of strategy and investor services, says the Lublin economy has slowed lately and is not on par with national growth. It is not clear what has caused the dip, but investment promotion is certainly part of the solution and these efforts continue apace. The city is counting on the flow of investment to continue. A Lublin business district is being built, offering 100,000 square metres of new office space, with the first phase ready by 2016, and the SEZ subzone is to be expanded to up to 200 square kilometres within the next few years.

A new arrival on the local business process outsourcing and IT outsourcing scene has brought optimism: MTBC, a healthcare IT company, bought a company with a small Lublin presence and reportedly intends to increase staff numbers from 20 to 100 by the end of the year.

"There is new interest in setting up IT facilities here. I think we will be very strong in this sector in the coming years," says Mr Sagan. The flow of investment, he says, "is a river, not a stream". ■