CZECH FOCUS

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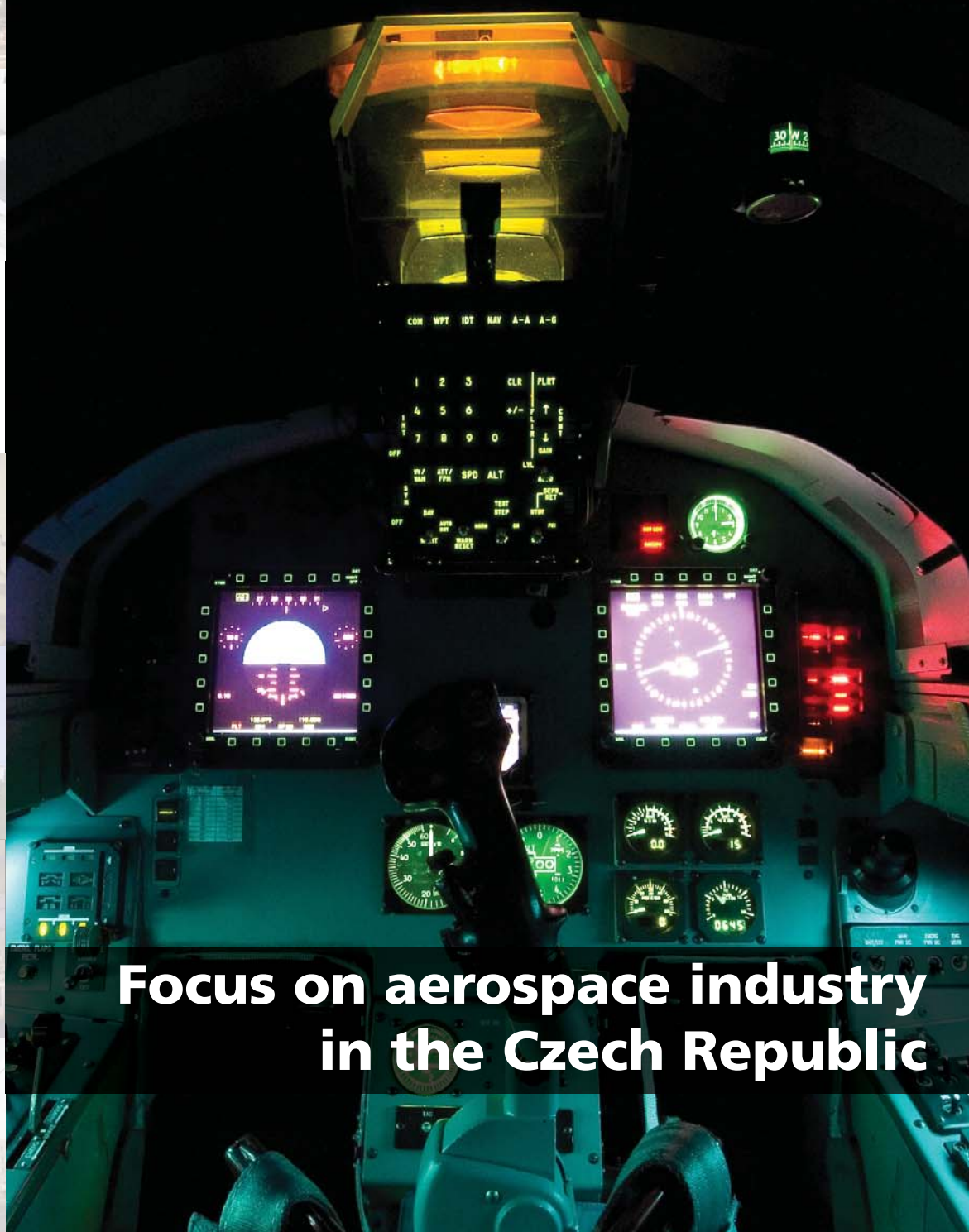
Where the sky has no limit...



Focus on aerospace industry in the Czech Republic

Association for Foreign Investment

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The Association for Foreign Investment represents a group of Czech service companies with local experience that support the entry of foreign investors into the Czech Republic and provide a wide range of professional services to foreign investors entering the local market.

The primary aim of the AFI is to ensure that the entry of foreign investors into the Czech market is as smooth and easy as possible. Companies from the AFI group are experts in the fields of advisory services, consultancy, project services and auditing. These companies also offer investors related services **after the start of their business operations** in the Czech Republic.

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INVESTOR'S CALENDAR

October – December 2008

October

15. – 17.10. Czech-Taiwan Science and Technology Days
Prague, Czech Republic

22.10. BIOTEC
Brno, Czech Republic

22.10. First Technology Franco-Czech Forum
Paris, France

23.10. Workshop - Focus on Hradec Kralove Region
Paris, France

28. – 29.10. DEATEC
Osaka, Japan

November

1.11. Czech Investment Seminar
Soul, Korea

4. – 7.11. Midest
Paris, France

6.11. Czech Biotech Meets Germany
Cologne, Germany

11.11. Business Support Services in the Czech Republic
Luxembourg, Luxembourg

11. – 12.11. Global Connect
Stuttgart, Germany

11. – 14.11. AIRTECH
Frankfurt am Main, Germany

17. – 19.11. MinacNed, MicroNed and NanoNed
Hague, Netherlands

18. – 19.11. CCA Annual Convention
Edinburgh, UK

18. – 21.11. Swisstech
Basel, Switzerland

20.11. Czech Investment Seminar
Tokyo, Japan

25. – 27.11. Czech-Israeli Science and Technology Days
Tel-Aviv, Israel

December

3. – 4.12. AeroMart - B2B Meetings, Focus on Aerospace Industry
Toulouse, France

EU competitiveness to be the focus of the Czech Republic's presidency

Support for the European economy's competitiveness on the internal and global markets will undoubtedly be among the priorities of the Czech presidency in the European Council. Considering its current importance, there is clear agreement on this topic on the European scale. In the past twenty years the union has been faced with the rapidly growing economic strength of Asia countries, particularly China and India. Another factor leading to our choice of this priority of the presidency was the Czech Republic's status as a new member of the EU with recent and successful experience in transforming its economy into a form capable of competing within the European and global economies.

Whereas the beginning of European integration was marked by rapidly catching up with the United States, attaining up to 70% of its economic performance, in the past two decades this figure has in effect stagnated. Even more alarming is that labour productivity in Europe has not increased since the 1990s. The fact that this productivity trend has persisted for more than one full economic cycle indicates that this involves a structural problem consisting in a deficiency of technological innovation and labour markets that are not sufficiently competitive to enable companies to raise productivity. Policies that were drafted more than half a century ago simply no longer pass muster in the current era of strong global competition.

In the course of the Czech presidency, we will therefore focus on specific measures aimed at reducing the administrative burden of small and medium-sized enterprises, which are the main source of economic growth. We will promote innovation and investment in education, which will raise the skills of our workforce, thus helping the European economy hold its own in global competition. We will concentrate on timely and correct implementation of the services directive as one of the key initiatives of the European Commission in the area of free movement of services. During the Czech presidency, a pan-European conference on services will be held and a study will be undertaken to analyse the impacts of EU expansion, among other things, with emphasis on the internal market.

Within its presidency the Czech Republic will also put through an expansion of initiatives focused on breaking down trade barriers between member states in accordance with the aims of the Review of the Internal Market Strategy. This concerns, for example, consolidation and promotion of utilised instruments to improve the practical application of existing legal regulations in the European Union (e.g. SOLVIT, a system for out-of-court settlement of disputes) and revision of current regulations that are the cause of the internal market's fragmentation in the retail area.

The Czech presidency will negotiate the implementation of measures deriving from the European statute for small and medium-sized enterprises, a set of legislative and non-legislative measures submitted by the Commission in June 2008. The Czech Republic will henceforth promote the resulting application of the principle "first think small", particularly in the area of simplifying regulation, limiting the administrative burden of doing business and improving access of small and medium-sized enterprises to European Community programmes. The country will be actively involved in the European SME Week in May 2009.

Evidence of the Czech Republic's ability to react to the development of the European and global economies can be found in its successful distribution of financial resources from European structural funds and state aid for investors. According to available data, two-thirds of investors coming to the Czech Republic are establishing technology centres or shared-services centres. By transitioning to a knowledge economy we are responding to the fact that the Czech Republic can no longer offer a sufficient workforce for large manufacturing projects and that the costs of such a workforce have increased significantly in recent years.

Alexandr Vondra,
Deputy Prime Minister for European Affairs,
Czech Republic

Headline news

▪ **The Czech Republic ranks among the world's ten most attractive countries for foreign direct investment.** According to a survey conducted by Ernst & Young, the Czech Republic ranks ninth. China leads the field as the most attractive destination for foreign direct investment.

▪ **The Czech Republic is the first post-communist country to become a member of the European Space Agency (ESA).** Membership allows countries to participate in the development and production of sophisticated space technology. Before granting memberships, ESA conducted a major audit of Czech businesses and research institutions.

▪ **Czech industry is placing greater emphasis on technology, research and development.** More than 65% of investments were focused on technology or science-research centres in the first half of 2008. Thus, for the first time the amount of financing committed to research and development exceeded that intended for new production lines. Since 2000, for example, CzechInvest has taken part in the establishment of 51 software-development centres.

Politics and Legislation

▪ **The Czech Parliament has approved an amendment of the Employment Act that will make it easier for foreigners to work in the Czech Republic.** The so-called green card combines the residency and work visa in one document. This system should ensure an inflow of unskilled workers for companies. Foreigners will be able to easily apply for positions that have not been filled by EU citizens within 30 days. The regulation, which should come into effect in January 2009, is still subject to approval by the Senate and the president.

The Czech Republic is the first post-communist country to become a member of the European Space Agency (ESA).

▪ **The minimum monthly payment to pension insurance schemes should increase** from the current CZK 150 to CZK 700-800 in order to qualify for state support. The minimum amount required for the lowest amount support, i.e. CZK 50 per month, should increase as well, Minister of Labour and Social Affairs Petr Nečas said, adding that the government wants to encourage people to save for retirement.

▪ **Parliament has approved new sickness-benefit conditions.** As of July, employees will receive 60% of their regular wage during the first three days of sickness. However, this will change again in September when the amount is reduced to 25%.

▪ **In the future, it should be possible to establish a limited liability company with basic capital as low as CZK 1.** This, as well as other changes, is foreseen by the latest draft of the new Commercial Code from the Justice Ministry, which is aimed at replacing the currently valid Commercial Code of 1991. Currently, at least CZK 200,000 is needed to establish a limited-liability company.

In the future, it should be possible to establish a limited liability company with basic capital as low as CZK 1.

▪ **The Czech Republic has won an EU exemption and does not have to continue with the Lisbon Treaty ratification process** until the document is reviewed by the Czech Constitutional Court.

▪ **U.S. Secretary of State Condoleezza Rice and her Czech counterpart Karel Schwarzenberg signed a treaty on the placement of an anti-missile radar system on Czech territory.** The treaty is subject to approval by the Czech Parliament and signature by the president. In addition to the actual radar, the treaty will also allow 250 U.S. soldiers to be stationed in the Czech Republic.

Economy

▪ **Due to the continually increasing strength of the Czech crown since April 2005, the Czech National Bank has reduced the interest rate by a quarter of a percentage point.** The basic interest rate, from which the commercial-credit interest rate is derived, thus fell to 3.5%, making it the lowest in the European Union.

▪ **After years of constant growth in apartment prices, the trend seems to be reversing.** Apartment prices have declined in several months. According to the Regional Information Institute, the average price of older apartments in Ostrava, Jihlava and Plzeň decreased in the first half of this year. Growth in housing prices has also slowed in other larger towns and cities. Brno, for example, has seen a decrease of 10-15%. Prices in Prague are also falling, as there is no room for further growth.

▪ **The European Commission expects the Czech Republic's budget deficit to be 1.1% of GDP next year** and 1.4% this year. Government reforms, which came into effect in the Czech Republic at the beginning of this year, should reduce the deficit by 0.3% percent next year, according to the Commission's regular report on public finance.

Business

▪ **Novell has opened the Novell Technical Services centre in Prague.** The new centre is Novell's second biggest technical-support facility; its largest is located in the United States. The centre will serve for specialist telephone support for Novell partners and customers around the world.

▪ **Czech technology companies could obtain contracts worth approximately EUR 6 million (CZK 160 million) a year as part of projects of the European Space Agency (ESA).** Czech companies could become subcontractors of ESA's primary contractors.

▪ **General Electric has completed its acquisition of Walter Engines** and wants to considerably expand its activities in the Czech Republic, especially in the area of small-aircraft-engine production.

▪ **The multinational company Ness Technologies has acquired the Czech technology firm Logos**, one of the most significant suppliers of information services for banks and telecommunications firms. Upon approval

by the antimonopoly office, the acquisition will create one of the largest companies in the sector.

▪ **The American company Advanced Filtration Systems represented by its subsidiary, has begun construction of a new production facility** in the Joseph industrial zone near Havraň in the Most region.

▪ **The biggest solar power plant in the Czech Republic is to be constructed in Dvůr Králové nad Labem near Trutnov.** The city will invest approximately CZK 400 million in the project and start construction of the 3.8 megawatt solar park this year.

▪ **ThyssenKrupp Ferrosta wants to expand its production capacity in Hradec Králové and build a new logistics centre there.** Construction is to begin next year and the project should be completed within two years.

▪ **The French automaker Aixam has entered the Czech market.** The company will be represented by Auto-Roch, which opened a new showroom for the brand in the Prague 10 city district. The Chinese BYD car brand is also entering the Czech market, following in the footsteps of Brilliance, whose vehicles will be imported to the country by A. Charouz Motors.

▪ **The exporter Alta will deliver machinery worth approximately EUR 3 billion (CZK 70 billion) to the Russian company Magnitogorsk Iron & Steel Works and** its iron-ore mining operation Prioskolský in western Russia. The contract is the industry's one in Europe in ten years.

Czech industry is placing greater emphasis on technology, research and development.

▪ **Škoda JS has won a tender to provide maintenance, repairs and inspections at the Temelín and Dukovany nuclear power plants.** The eight-year contract is worth approximately CZK 3 billion.

▪ **Czech financial institutions continue to prosper while the world's banks deal with the impact of the global financial crisis with massive write-offs.** The Czech Republic's four biggest banks - Česká spořitelna, ČSOB, Komerční banka and UniCredit Bank – recorded a combined profit of nearly CZK 21 billion in the first half of the year, an increase of almost 20% over the same period last year. Meanwhile, the energy group ČEZ reported a net profit of CZK 29 billion, a year-on-year increase of 38%.

U.S. Secretary of State Condoleezza Rice and her Czech counterpart Karel Schwarzenberg signed a treaty on the placement of an anti-missile radar system on Czech territory.

Miscellaneous

▪ According to the state agency CzechTourism, **the Czech Republic is the world's 17th safest country in 2008.** The country ranks second within Central and Eastern Europe. The ranking is based on an evaluation of 140 countries according to the Global Peace Index.

▪ **A unique, patented Czech product helps patients with oesophageal damage.** Ella-CS, a firm based in Hradec Králové, is the world's only producer of a mesh stent that holds the oesophagus open. The stent is made of a material that eventually dissolves in the body without any harmful effects.

▪ According to the European Distribution Report, which is regularly published by the consulting firm Cushman & Wakefield, **Central Europe is among the most interesting European locations for industrial and logistics properties.** The leading country in this regard is Belgium, followed by the Netherlands, Hungary, the Czech Republic and Poland.

▪ **According to a study conducted by the Technical University in Warsaw, the Czech Republic is the leader in the use of solar energy among the 12 newest member states of the European Union.** At the start of this year photovoltaic plants with an overall output of 5,466 kW were operating in the country.

▪ **The Mstětice Science and Technology Park has opened in Zeleneč-Mstětice u Prahy.** The park will offer facilities for developers, scientists and start-up firms in the area of transportation technologies and other related fields.

▪ **The Czech Republic ranks 36th out of 127 countries in terms of utilisation of information and communication technology,** according to a study by the World Economic Forum. The European Observatory of Information Technologies also reports that the Czech Republic has the most advanced computer market among new members of the European Union.

▪ **The Czech Republic is still the most attractive country for German firms in Central and Eastern Europe**, having placed first in the ranking based on a survey conducted by the Czech-German Chamber of Commerce and Industry for the third time in a row. Slovakia placed second and Slovenia third.

▪ **The Czech Republic will probably become the first country in Europe to receive a mark of origin for its beer.** The application for the mark states that Czech beer has unique characteristics due to traditional brewing methods and ingredients.

▪ **The Czech Republic placed 24th overall at the 2008 Olympic Games in Beijing.** The Czechs took home six medals, including a gold and a silver won by Kateřina Emmons (air-rifle), David Kostelecký's gold (trap shooting) and the gold won dramatically in the javelin competition by Barbora Špotáková.

ed.

Sources: Czech Information Agency, MF Dnes, Právo, Lidové noviny, Hospodářské noviny, E15, Profit, Euro, Czech Business Weekly, Czech Press Office, iHNed.cz, Aktualne.cz , Novinky.cz , iDnes.cz.

Aero L-159

Where the sky has no limit...

Over the course of its history, Czech aviation has undergone numerous developments by which it has gradually made a strong impression in the world. A specific Czech approach influenced by the events of two world wars as well as the German and Soviet design schools brought Czech designers to the top of their field and the local aviation industry's resulting good reputation persists to this day. This article will focus not only on important milestones in Czech aviation, but also on investment opportunities and significant enterprises in individual regions of the Czech Republic.

The history of Czech aviation is marked by several significant milestones that form the foundation of the industry's current reputation for quality and innovation. The first world war brought the initial leap forward when the new nation of Czechoslovakia carved out its independence. The Czechoslovak Legion had to journey all the way across Siberia to Vladivostok, where the nascent republic's first fighter squadron was formed in exile. In the following years military orders for new aircraft involved several aviation design offices, of which Aero, Letov and Avia were particularly significant in that they represented three basic directions in the industry.

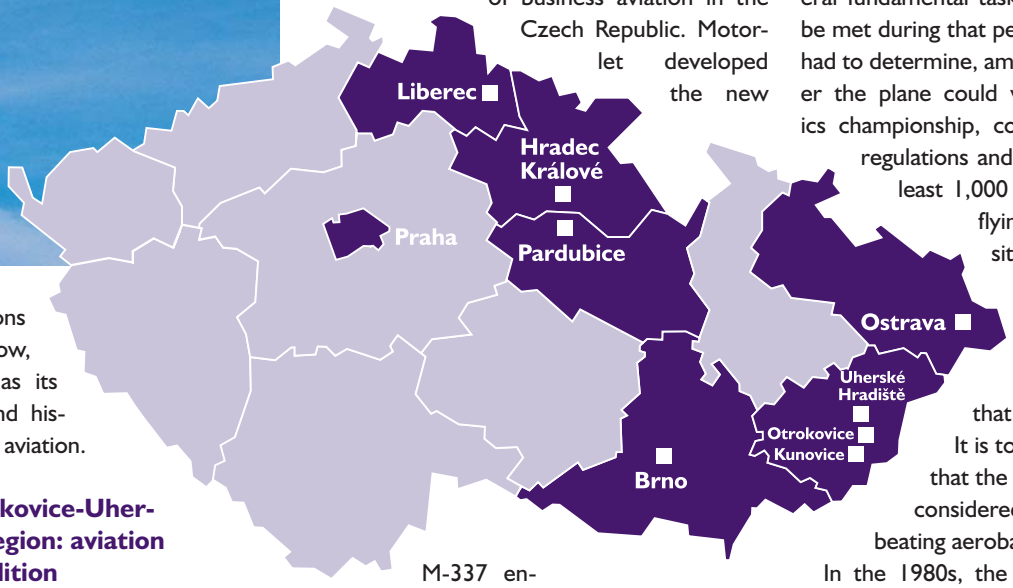
The second milestone consisted in the defence of the republic in the first half of the 1930s. The design offices improved their fighter aircraft to the point that just before the beginning of the second world war, Czechoslovakia possessed an exceptional modern fighter comparable to the British Spitfire. Unfortunately, however, the plane never went into series production. Most pilots and designers put their training into practice in exile, most notably in the Battle of Britain. Before the end of the war, one of the largest repair centres for German bombers was established near Prague. This location is particularly noteworthy, as the first rocket-powered and jet fighters were tested there. In the 1950s thousands of Soviet MIG-15s – the word's most advance fighters at that time – and IL-14 transport aircraft were manufactured here under license.

Today the Czech aviation industry boasts high-quality designers, particularly among manufacturers of light aircraft, extensive production and repair capacities and the capability to produce top-notch aircraft components. These essential resources are concentrated

Zlín Z-50

Zlín Z-226 Trenérs

mainly in the regions discussed below, each of which has its own character and history in the field of aviation.



Kunovice-Otrokovice-Uherské Hradiště region: aviation as a family tradition

Several factories in Kunovice, Otrokovice, and Uherské Hradiště comprise the core of the sector in this region, which can pride itself on a deep aviation tradition that is illustrated by the fact that as late as the beginning of the 1990s practically every family in the area had at least one member working in the aviation industry. Today this heritage is apparent in the region's technically skilled people and in the expansive manufacturing complexes not only in the vicinity of the Kunovice and Otrokovice factory airfields. Products from the local factories are in reliable operation on five continents today. Aircraft produced here are well known for their quality design and construction.

This region's contribution to the industry's future is clear and comprises particularly its talented people, who still live by the aviation tradition. A company that is willing to take advantage of these resources will be rewarded with enhanced innovativeness, new solutions and a quality workforce.

The heart of this area comprises two units concentrated at the airfields in Kunovice and Otrokovice. Aircraft manufactured in these facilities are considered design classics. Chief among these is the twin-engine L-200 Morava light transport plane produced in the 1950s and '60s. The L-200 featured a spacious, comfortable, well-ventilated and heated cabin and represented the beginning of business aviation in the Czech Republic. Motorlet developed the new M-337 engine (155 kW) specifically for the Morava. The M-337 was equipped with a supercharger, fuel-injection and variable-pitch propeller. The L-200 Morava was used by higher officials of various ministries, companies and organisations, and today it is still in operation with a range of aviation enthusiasts around the world. In total, 360 of these aircraft were produced in Kunovice.

The Zlín Z-226 Trenér from the 1950s is another classic from the Otrokovice design school. With outstanding flight characteristics, this single-engine, two-seat, cantilever low-wing monoplane was designed to meet the requirement for a special tow plane capable of pulling heavier gliders. With the new Walter Minor 6-III engine (116 kW) it also had the prerequisites for aerobatics. Its quality construction enabled a greater payload and the aircraft could handle rough treatment. Particularly for these reasons, the Z-226 remains popular today, primarily among flight schools.

The Zlín Z-50 was the world's first series produced aerobatics plane designed for the Unlimited class. It can also be considered the most successful, as it has won several world and European championships in both individual and team aerobatics. The Z-50 came into being at the government's behest in the first half of the 1970s to show off the Czechoslovak aviation industry and, in so doing, to win a number of championships and gold medals. The decision to series produce the aircraft came after Czech successes in the world championship in 1976 and 1978, when the Poles and Romanians expressed interest in equipping their national teams with the Z-50. When production ended in the first half of the 1990s, more than 80 Z-50s in six versions were in operation on several continents.

The Zlín Z-50 was the work of a dynamic team comprised of true aviation enthusiasts, quality specialists and talented designers. Development took only two years, though several fundamental tasks and challenges had to be met during that period. First, the designers had to determine, among other things, whether the plane could win the world aerobatics championship, comply with international regulations and have a service life of at least 1,000 hours of hard aerobatic flying. Certain paradoxical situations in contemporary aviation began to appear in relation to the Z-50, namely excessive requirements that contradicted each other. It is to the design team's credit that the right requirements were considered, leading to a world-beating aerobatics machine.

In the 1980s, the Otrokovice region saw the development and production of the very promising L-610, a high-wing transport plane with a pressurised cabin for 40 passengers. From the beginning, it was considered for use by the military as well as by the Czech flag carrier. The aircraft's basic concept was taken form its proven predecessor, the L-410, which is still operated in the most various climatic condition at airports with a natural runway surfaces. The L-610 was powered by two Czech Walter M602 engines (1360 kW each) with Avia V518 five-blade propellers or American GE CT7-9D engines (1446 kW each) with Hamilton Standard four-blade propellers. The project involved one of the most highly developed aircraft in

the Czech Republic, as it used a great number of electronic elements and featured a pressurised cabin with climate control, which required numerous special tests and measurements. Three prototypes were intended for flight tests, one for strength tests and another for airframe service-life testing. The initial prototype of the M-military version first flew in 1988, and the prototype of the G-civilian version was rolled out in 1991. Initial commercial deliveries were scheduled for 1993. The aircraft's service life was calculated at 20 years, 32,000 hours and 25,000 landings. Its range with 40 passengers was 1,230 km and it required a paved runway of 1,050 metres or unpaved runway of 1,220 meters. Unfortunately, the L-610 never entered series production and the project was halted.

The L-610 project was briefly revived in 2002 when the development and production teams came up with the L-610P concept. This new version could have helped to replace Antonov An-26 and An-32 transport planes, which were used extensively in former Soviet republics, and represented a watershed in the L-610's development. With a raised tail, which was to contain a folding two two-piece ramp, and fuselage extended by 6.8 metres, space was created for a payload of 7,500 kg. The "P" designation represented the selected Pratt & Whitney PW127 engines. Take-off weight was calculated at 20,700 kg with a range of 2,000 km when fully loaded and maximum speed of 480 km/h. Despite these improvements, the L-610P project was also terminated.

One of the new factory workshops

Even though neither of the preceding projects went into series production, today it can be stated that the thousands of hours of development work enriched the experience and abilities of specialists in the region, which is currently returning to its earlier level of prestige thanks to several capable firms employing these well-trained designers.

The region's small enterprises operating in the area of new construction materials have successfully introduced into practice new research solutions created within local departments of technical universities. These firms have thus found a way to expand their operations by supporting small aircraft producers. A result of this is, for example, that last year a new LSA-category aircraft was developed, constructed and tested within a single year and entered series production. This project benefited not only form the traditional approach of Czech designers, but also from research findings from the Zlín technical university, particularly in the area of interior solutions and pilot ergonomics.

In new aircraft workshops, two generations of designers are present – older, seasoned specialists and recent university graduates for whom working with a graphic interface and the latest CAD/CAM software is second nature. The older designers teach their young colleagues how to think more deeply about aviation and thus develop a feel for their trade. The organisation of work is based on the idea that, even though computer program make the work easier, they cannot replace the ability of individual designers to consider the characteristics of the modelled aircraft. If you ask which graduates these firms hire, you will be told that the deciding factor is not their success at school but rather the impression they make during their first few weeks on the job. For workers on the factory floor quality workmanship is key; for those in technical professions, thoughtfulness and the ability to absorb and put into practice a large amount of information gained from the older designers are of fundamental importance. Because the region's people seem to have an inherent technical mentality, there is a large percentage of new graduates here. Even though this concerns firms with 50-100 employees, there is enormous potential for growth here. These firms have the ability and opportunity to reclaim the significance and renown that once belonged to the expansive aircraft factories that formerly dotted the local landscape.

The aerodynamically clean NG24 (designed and constructed by Roko Aero, one of the new firms)

Moravia-Silesian repair centre: repairing Boeings in record time

When we head to a more northern region, we will come to an area dominated primarily by the truckmaker Tatra (a six-time winner of the Paris-Dakar rally and formerly a manufacturer of military and sport aircraft). Twenty kilometres from Tatra's manufacturing facilities lies the Ostrava-Mošnov airport and a repair centre set up to service not only Boeing aircraft. This provider performs comprehensive maintenance of medium- and long-range aircraft according to EASA part 145 regulations. At least two Boeing 747-400s can be accommodated by the facility's 3,500 m x 65 m runway and spacious hanger, where more than 100 well-trained aircraft mechanics perform the most intensive maintenance, which involves complete dismantling of the aircraft, inspection and repair of all components, sending of individual parts of onboard systems and propulsion units to the respective authorised suppliers and, according to the technical documentation of the given aircraft's manufacturer, determination of airworthiness. All of this is done in a minimal amount of time.

The interior architecture of both large-capacity aircraft can be modified and the exterior painted according to the customer's requirements. Current customers (e.g. northern European airlines) value the available capacity, quality work of the mechanics and the flexible and rapid handling of their needs. New aircraft mechanics, whose number will grow to 250-300 type specialists and technicians in the next five years, receive theoretical instruction within a bachelor-degree programme at the technical university in Ostrava. Their practical training makes use of the experience of the most significant European airlines. Representatives of the Moravia-Silesia region believe that, thanks to this top-quality centre, the region will maintain its strong industrial tradition. Moravia-Silesia was once

a centre of engineering, steel-production and industry with a history dating back to the 19th century. This was one of the many factors that led the South Korean carmaker Hyundai to locate its European manufacturing plant in the region, where there is no shortage of skilled employees. This experience also encouraged regional officials to make a greater effort to further develop repair services in the region and, in cooperation with the Czech owner of this repair centre, they are considering additional investments to enable repairs of the Airbus A380.

Part of the Ostrava repair centre's capacity

Progressive technologies in northeastern Bohemia

From the perspective of the aviation industry, northeastern Bohemia is a relatively lesser-known area, though it has great significance for the future. This region is among the top in the world in terms of developing passive tracking systems. An example of this is the mobile version of the Věra-E system, which makes it possible to determine the position of up to 200 air, ground or maritime targets at a distance of 450 km.

The northern part of this region is home to the Technical University of Liberec, which excels in the development of new, progressive, lightweight materials and fully automated control and stabilisation units. The company ERA and the University of Pardubice are involved in the area of active and passive radiolocation. TL elektronic, a firm based in Hradec Králové, has developed a full range of modern cockpit instruments, individual families of avionics and cockpit instruments for monitoring the service life of aircraft. The firm's portfolio also includes an automated air-drop system that enables high-precision dropping of cargo.

VUT Brno's unique approach to education

Brno is the Czech Republic's research hub. Instruction of aircraft designers begins here at the University of Technology, which applies a very specific approach to education. At the same time, this school is in itself a successful design office that has turned out ultralight and light sport aircraft. The university's specific approach consists in students, jointly with their instructors, constructing aircraft during the course of their studies and thus gaining practical experience based on their acquired theoretical knowledge. The core of the study programme involves designing light aircraft, new lightweight materials and small powerplants for unmanned aerial vehicles, whose development the school has undertaken in cooperation with a local engine manufacturer, První brněnská strojírna. Control mechanisms and equipment for monitoring the lifecycle of these engines are developed by another Brno-based firm, Unis.

Brno is also home to LK Engineering, whose teams are able to design any components, sets and subsets not only for aircraft and the aviation industry. That Honeywell located its European aviation research centre in Brno is further proof of the city's importance as a technology hub in this sector.

We must also recognise the local suppliers that contribute to Brno's aviation industry through their activities in the areas of precision engineering, hydraulic- and fuel-system components and cockpit instruments.

Prague – the centre of Czech aviation

Prague is relatively well-known for its aviation industry, as companies such as Aero Vodochody, Letov/Latecoere and Czech Airlines/Technology Section are headquartered here. The Czech capital's significance lies not only in development and production of light, subsonic military jets (of which more than 6,500 have been produced here, comprising two-thirds of all such aircraft in the world), but also in the area of development and production of civilian aircraft.

A highlight of this region's aviation history is undoubtedly the all-metal, four-seat, twin-engine Aero 45 from the early 1950s, which was intended for unscheduled service and was distinguished by its level of comfort and low operating costs. An interesting aspect of the plane's development is that it was conceived by a group of designers on their own time without the official consent of the company's management. Construction of the prototype took approximately half a year, though everything was put on hold by the management, which launched an enquiry into who approved the project. In spite of this, the prototype was completed in 1947 and began extensive tests, in the course of which the Aero 45 was tried out by roughly 100 foreign pilots in the Mediterranean and Baltic regions. In 1949 the initial production models were shipped to Hungary, Switzerland and Italy. From 1951 Czechoslovak Airlines used Aero 45s for a regular air-taxi service involving chartered flights from individual factories and institutions, when these planes and the aforementioned L-200 Moravas flew to roughly 60 locations around the country.

At the end of the 1980s development began on the low-wing, single-turboprop Aero 270 with pressurised cabin and retractable landing gear intended for short-haul routes and general multi-purpose use. This plane was to be a direct competitor of the Socata TMB700 and Pilatus PC-12. The Aero 270 was designed to transport ten passengers with a crew of one pilot. The aircraft's design concept offered the possibility

Aero 270

of constructing it from individual component subsets submitted to various suppliers for production. The project continued until 1993, when it was halted for several years due to financial reasons. On 25 July 2000 the first Aero 270 prototype was flown and another two were prepared for ground tests. The plane's originally planned Walter M601F engine was replaced with the Canadian Pratt & Whitney PT6-42 (634 kW). Two basic versions of the Aero 270 were conceived: Corporate (two crew members and eight passengers) and Cargo (one pilot and cargo). A combined variant accommodating both passengers and cargo could easily have been built according to demand. All test flights were successfully completed.

The L-159 light combat aircraft, equipped from the beginning with avionics and other instruments and systems – including weapons systems – produced primarily in the United States, represented a watershed in Czech aviation. This model can be considered the first plane of Czech origin that is fully NATO compatible and, due to its equipment and technical parameters, acceptable for all other NATO members from the technical standpoint.

Potential for aviation investments

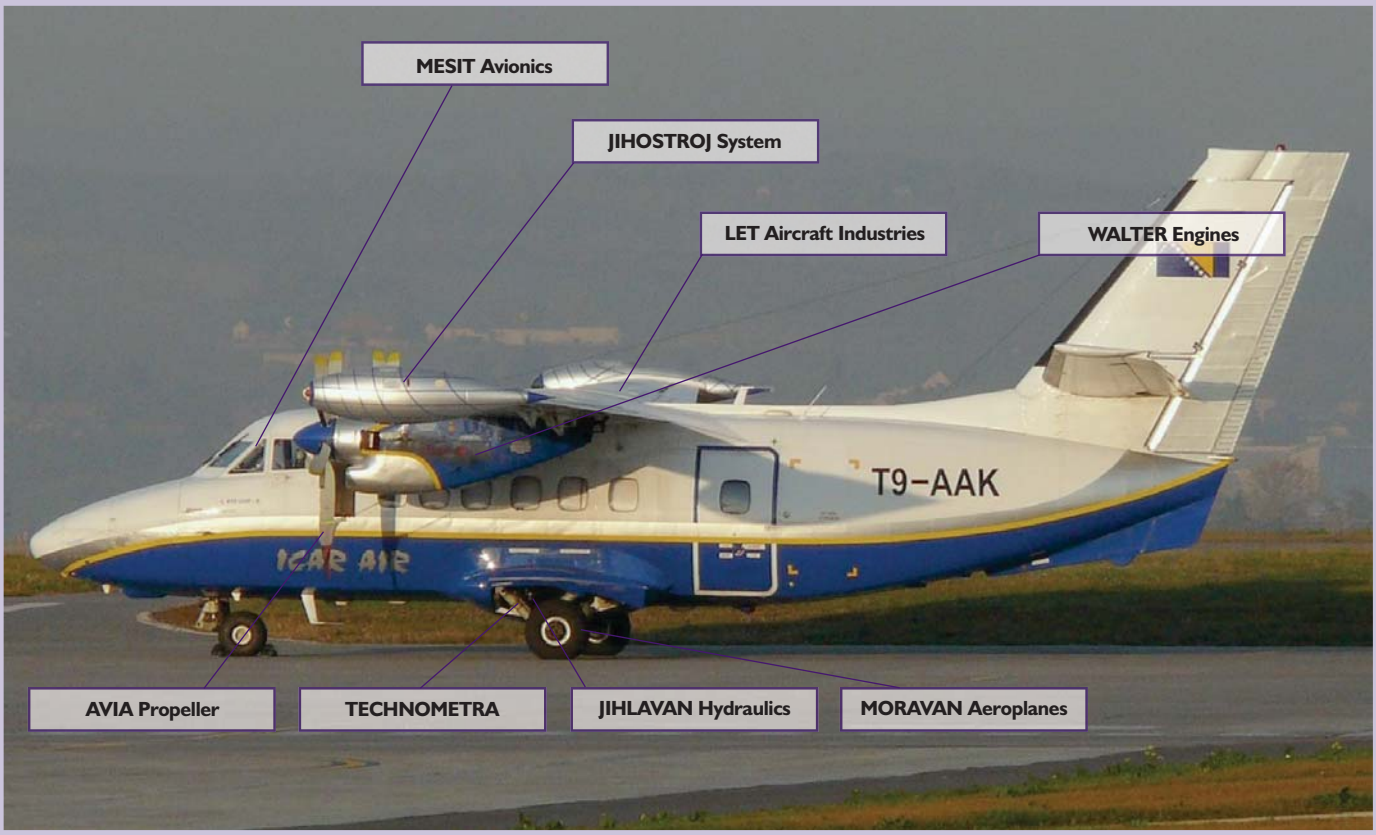
The Czech aviation industry has acquired extensive experience particularly in the area of jet trainers, piston-engine light transport, training and sport aircraft, turboprop engines and unmanned aerial vehicles. These categories of aircraft and engines have been developed in the Czech Republic independently and to the full extent, i.e. from determination of the primary requirements in cooperation with the customer, through development including all calculations, laboratory and flight tests, to technical preparation for construction, series production, introduction into operation and operational support. This experience has further been supplemented with modifications of aircraft originally intended primarily for eastern markets involving installation of engines and instruments of western origin.

With regard to the fact that in the Czech Republic aircraft development has always been a comprehensive process, i.e. including equipment and other devices, extensive experience has been acquired in this area. Companies operating in the Czech aviation industry can practically immediately enter into projects involving, for example, landing gear, auxiliary power units, electronics, cockpit instruments, hydraulic elements, safety equipment, flight-data recorders, etc.

All companies and schools involved in the Czech aviation industry are fully aware that without a strategic partner and connection with strong international consortiums, they cannot successfully implement their ability to innovate in research, development and production. As such, they are open to systematic cooperation with the aim of jointly resolving problems and finding new solutions for strengthening the aviation industry and intercontinental air transport, thus contributing to commercial and cultural development.

Petr Nétek,
CzechInvest

LET L-410, basic supplier structure



Southern stars shine in the Czech Republic

The Czech Republic and Italy do not share a common border and are separated from each other by Austria and several mountain ranges. Yet the two countries maintain active economic relations and although Italy does not rank among the Czech Republic's top five trading partners or investors, a good number of Italian companies and entrepreneurs have been very active in the country.

Lighting products of Italian company Beghelli-Elplast – building of the insurance company IPB in the Czech Republic

Eni fuels Czech automotive transport

The largest Italian investor in the Czech Republic by volume of capital invested must be the petrochemicals group Eni, owner of the Agip brand. Eni took an active part in the wave of privatisations that took place in the 1990s and acquired 16% of shares in Česká rafinérská, the largest crude-oil processor and producer of petroleum products in the Czech Republic. Other investors in Ceska rafinerska at that time included Shell and Conoco. Eni later acquired Conoco's 16% stake and now owns nearly a third of Česká rafinérská, which employs some 700 people and has two major oil refineries in Litvinov and Kralupy. In addition, Eni runs a network of more than 70 petrol stations in throughout the Czech Republic.

Another privatisation and one of the first Italian investments in the Czech Republic was the acquisition of the Brno-based company Nová Mosilana by the Marzotto Group in 1994. One of the leading manufacturers of men's and women's clothing and fabrics made from worsted yarn, Mosilana represents the Czech wool-processing industry, whose origins can be traced to the 12th century. The whole production process, ranging from the input of raw materials to the production of finished fabrics takes place in the company's Brno production facility. Thanks to modernization and the expansion of production and storage facilities with the addition of new buildings, the company has managed to increase its annual output of fabrics to nine million square metres. Nová Mosilana exports over 90% of its output to the most advanced international markets through its parent company's trading network.

Beghelli-Elplast was established in 1999 through the acquisition of Elplast, a Czech producer of industrial lighting products with a history dating back nearly 130 years, by the Italian company Beghelli. Through its acquisition of Elplast, Beghelli expanded its product range to include Elplast's industrial and technical lights. The Italian parent company took immediate steps to restructure its new Czech subsidiary and invested in modern production technologies. Thanks to these steps, the company is now the market leader in the technical- and emergency-lighting market in the Czech Republic and is systematically expanding to other countries of Central and Eastern Europe. The Czech subsidiary has some 300 employees and its products are installed in prestigious locations such as Prague Airport.

In the 1990s Seves, a holding company, acquired the Czech company Vitrablok, a specialist glass-block manufacturer steeped in the Czech glassmaking tradition.

Another acquisition of a traditional Czech producer by an Italian firm was the purchase of Akuma by Fiamm in 1998. Established in 1903, Akuma originally produced standby batteries and, from 1925, starter batteries for motor vehicles, supplying Škoda Auto, for example. The company expanded production significantly and in 2000 a new production facility was built. Nevertheless, in early 2008 Fiamm announced that the production of starter batteries would be transferred to Italy and the Czech subsidiary would concentrate on manufacturing standby batteries. Contrary to what one might expect, this change does not bring any job losses. In fact, the company will hire at least 40 additional employees to supplement its staff of approximately 700.

Acquisition of a "crown jewel"

Another prominent and closely observed acquisition was that of the machine tool producer ZPS by Tajmac-MTM in 2000. ZPS was considered by many to be a "crown jewel" of Czech Industry. Established in 1903, the company was closely associated with the rise of the Baťa shoe company in the 1920s and 1930s as it produced all of the machinery used in Baťa's plants. After the second world war, it was one of the main suppliers of machine tools to the countries of the Soviet bloc and exported to many other countries in both the developing and developed worlds. TAJMAC-ZPS, as the company is called today, has maintained its position as one of the Czech Republic's leading producers of machine tools and one of the country's largest exporters (more than 80% of its production is exported). The company has extensive research and development operations

and its own foundry, which enables it to design and manufacture solutions for all types of clients.

More recently, Tessitura Monti acquired two weaving plants from Texlen, Czech textiles holding company, in 2004. The plants, both in the East Bohemia region, employ some 500 people and, unlike other Czech textile plants, are expanding production and looking for new employees. Another recent deal was the acquisition of Obal Rozkoš by Tecnocap in 2005. The company, located in a village near Jindřichův Hradec in the South Bohemia region, has been producing metal lids for glass, plastic and metal containers for use both in the food-packaging industry and for pharmaceutical and cosmetic products since 1936.

Greenfield investments

When the possibility to acquire existing Czech firms diminished with privatisation nearly over and the best companies already in foreign hands, Italian and other investors started to invest in construction of new production facilities on greenfields, mostly in municipal industrial zones prepared with support from the national government.

Among the first was the Radici Group, the Italian multinational in the chemicals and synthetic-fibre sector. In 1998, the company built a facility to produce polyamide yarns for the carpet industry in Podbořany, approximately 90 kilometres west of Prague. Today the facility employs nearly 300 people today, double the number announced in 1998.

The industrial zone in Podbořany is also to Conta, a subsidiary of Candy Electtrodomestici. The Conta plant is the largest Italian greenfield investment in the Czech Republic. The plant produces refrigerators under the Candy and other brand names. Construction started in the fall of 2000 and the plant was opened in the spring of 2002. More than USD 40 million was invested in the plant. A second production hall was opened in 2005. Today Candy employs over 600 people in the Czech Republic and plans to add another 200-250 jobs. Candy also brought to Podbořany its supplier Leaplast, a manufacture of plastic parts for refrigerators.

Another Italian plastics producer, Viroplastic, built a manufacturing facility in Frýdek-Místek. The plant manufactures a wide range of plastic caps for glass, PET and PVC containers for beverages, cosmetics and detergents. The facility employs approximately 300 people. The Italian company Cromodora Wheels, part of American-based Hayes Lemmerz, built a plant in the same region in 2006. The plant's staff should grow from the current 90 employees to 300 in 2009.

With a population of just over 10.3 million, the Czech Republic in not a very large market. Therefore most investors have come to the Czech Republic to manufacture products for export. For example, BAG Snacks, a producer of fried and baked snacks, has operated a production unit in the Czech Republic since 1997. This facility is not only a production for the Czech Republic and Eastern Europe, but also a strategic outpost for Northern Europe, as it allows a significant reduction of transportation costs.

Automotive and engineering sectors

Both Italy and the Czech Republic have a vibrant automotive industry and it would be surprising if many of Italian investments were not in the automotive industry. In addition to those already mentioned, Italian investors in this sector include Meyster, which opened a manufacturing facility in Strakonice in 2001. The plant employs 80 people in the manufacturing of wheel covers, tow-bars, and car seats.

IVG Colbachini, a producer of pipes, hoses and other components, opened its first subsidiary in Central and Eastern Europe in Krnov in the north-east of the Czech Republic in 2003. IVG Colbachini also owns 51% of the Italian company S.T.I., which manufactures small metal precision parts for the automotive and motorcycle industries. The company opened a manufacturing plant in Krnov in 2006. The facility exports its products to companies such as Bosch, Siemens, and Harley Davidson.

Impianti e Macchine Fonderia (I.M.F.), was one of the early entrants into the Czech market. The company has designed and manufactured machinery and equipment for foundries and tube-rolling mills in the Czech Republic since 1996. Graziano Trasmissioni (now a part of the Oerlikon Group), began production of gearbox components for the automotive industry in Červený Kostelec in 2006. The Czech company was established in February 2006, initial machining operations began in May 2006, and by October 2006 machining and heat treatment were fully operational, and the gear-manufacturing plant was in production. In November 2007, the first full assembly program was started for the production of Torque Hub planetary-gear-drive assemblies for a sister company in the United States. In the meantime, Graziano had won two new contracts for the manufacture of automotive power-transfer units for 4WD cars, which were to be manufactured in the Červený Kostelec plant. Also in the second half of 2007, the installation and testing of these new assembly lines was completed, and the two lines started production. Today, the company has about 7,000 m^2 of manufacturing space, employs 160 people, and covers all major gear-making technologies, heat treatment and painting of the final products.

The holding company Lucefin, whose steel division is one of the world's major producers of cold-drawn steel, established a subsidiary in the Czech Republic in 2001, on the site of the former Poldi Kladno steelworks. The group's Trafil Czech production unit is ideally located in the heart of Europe to supply customers in Central, Northern and Eastern Europe. Total investment in the project has reached EUR 10 million so far. Trial operation with 25 employees started there in 2007. In future, the plant will employ up to 60 people.

SIAD, a leading European producer of technical and special gases, entered the Czech market in 1991. To satisfy ever growing demand, the company opened a manufacturing and filling facility in Braňany near Most in 1998. Another facility was built in Rajhradice near Brno. Furthermore, the company has a network of more than 150 distribution warehouses in the Czech Republic.

IVECO / IRISBUS

The Italian company Irisbus was established in 1999 as a joint venture between Iveco of Italy and the French company Renault Vehicles Industrielles. In 2001 Iveco began acquiring Renault's shares in the joint venture and in 2003 became the full owner of the company. One of Irisbus's major manufacturing plants is in Vysoké Mýto in the East Bohemia region of the Czech Republic.

The history of vehicle manufacturing in Vysoké Mýto dates back to 1895, when Josef Sodomka began manufacturing carriages and coaches. Production of buses started in 1928. After the second world war the company took the name Karosa, which it held until January 2007 when it became Iveco Czech Republic. In the years preceding the political and economic changes of 1989-90 the company was producing 3,400 buses and coaches per year. However, within two years of the collapse of markets in the former Soviet bloc, annual production fell to 1,000 units. Fortunately, Renault bought a third of shares in Karosa at that time (1993) and invested heavily in the company's restructuring and introduction of new models. It also subsequently increased its stake in Karosa to 100%. In early 1999 Karosa became a part of a French-Italian joint venture and began construction of a new paint shop and assembly line. Investments totaling more than CZK 1.5 billion have made in the Vysoké Mýto plant, making it one of the most modern bus manufacturing facilities in Europe. More than 80% of production is exported, with France and Italy being the main foreign markets. The company employs roughly 2,500 people and it seems that it will soon manufacture the same number of buses and coaches as it did nearly 20 years ago – production reached 2,700 units in 2007.

Irisbus's manufacturing plant in Vysoké Mýto

The services sector

Italian investment is not limited to manufacturing. UniCredit bank has become one of the major players in the Czech financial services sector following its acquisition of HVB. Banco Popolare also

has a network in the Czech Republic. Generali is one of the major insurers operating in the country.

Roughly 25 Italian-owned firms are active in real estate consulting, real estate development or construction services. The largest of these is the Czech branch of the Manghi Group. Other Czech companies established by Italians include law, consulting and accounting firms, as well as restaurants, hotels and travel agencies. The company Bioster provides a less common service – gas sterilisation of medical devices – in its facility in Velká Bíteš, a town located on the Prague-Brno motorway. The facility was opened in July 2005. Bioster has a sister company in Slovakia.

Italy has the reputation of a country with many small family-owned firms and it is thus not surprising that many Italian-owned firms in the Czech Republic were set up and are owned by individuals rather than by companies. As it would be impossible to publish a comprehensive list of these ventures here, two examples are given to illustrate investment opportunities in the Czech Republic.

Antonio Pacsuale set up the mineral-water bottling company Karlovarské minerální vody in the early 1990s. The company has a major share of the Czech market with its Mattoni brand name. The Czech cheese manufacturer Orrero was supported at its inception in 1996 by a group of Italian private investors. The company's products include Gran Moravia parmesan-type hard cheese, which is exported to a number of countries, including Italy.

Great investment opportunities

The above examples show that there are many investment opportunities for Italian companies and entrepreneurs in the Czech Republic. Privatisation may be over but the Czech economy has been growing at a rate of 5-6% in the past few years, creating demand for new products and services. For many Italian companies, their subsidiaries in the Czech Republic have served as a springboard to markets in neighbouring countries and/or countries farther afield in Eastern or Northern Europe. Italian investors can take advantage of the Czech Republic's favourable location and well-developed transportation links with those countries.

ed.

Useful contacts:

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ICE – Instituto Commercio Estero
www.italtrade.com
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Italian-Czech Chamber
of Commerce and Industry
www.camic.cz

info@camic.czCzech Embassy in Rome
www.mzv.cz/rome

CzechTrade's office in Milan
www.czechtradeoffices.com/it/italia/

Italian manufacturing investments

Alpen	Wood-processing	Horní Skrýchov
BAG Snacks	Food	Pecka-Vidonice
Beghelli	Lights	Brno
Bioster	Sterilisation	Velká Bíteš
Candy Elettrodomestici	Refrigerators	Podpořany
Cromadora Wheels	Automotive components	Mošnov
Eni / Agip	Oil refining/petrol distribution	Litvinov, Kralupy
Fiamm	Automotive components	Mlada Boleslav
Graziano Transmisioni	Automotive components	Červená Kostelec
Gruppo Tessile Monti	Textiles	Borovnice, Studenec
I.M.F. - Impianti e Macchine Fonderia	Engineering	Sedlčany
Iveco / IrisBus	Bus manufacturing	Nové Mýto
IVG Colbachini	Automotive components	Krnov
Lucefin – Trafilix	Steel	Kladno
Leaplast	Plastics	Podbořany
Marzotto	Textiles and clothing	Brno
Meyster	Automotive components	Strakonice
Radici	Carpet yarns	Podbořany
Seves	Glass	Duchcov
SIAD Societa Italiana Acetilene e Derivati	Industrial gas	Braňany, Rajhradice
S.T.I.	Machinery	Krnov
Tajmac	Machine tools	Zlín
Technocap	Metal container lids	Střížovice, J. Hradec
Viroplastic	Plastics	Frýdek-Místek

Did you know that...?

- Oldřich (Odorico) of Pordenone, son of a Czech soldier and an Italian mother, followed in the footsteps of Marco Polo and spent some 15 years travelling in Asia as far as China in 1314-1330.
- Czech kings ruled some of the city states in northern Italy in the middle ages: Přemysl Otakar II ruled Pordenone and a century later Charles IV ruled Lucca.
- Many of the baroque buildings in the Czech Republic were designed by architects of Italian origin, the most famous of these being Jan (Giovanni) Santini, whose works include the pilgrimage church in Žďár nad Sázavou, today a World Heritage Site.

Pilgrimage church in Žďár nad Sázavou

- Giacomo Casanova, famous for his flamboyant lifestyle and sensual memoirs was a librarian at the Duchcov chateau in northwestern Bohemia (1785 - 1798). He is also buried there.

Duchcov chateau

- The Italian designer Bertone designed the Favorit, Škoda Auto's first model internationally successful.
- The Pendolino express trains that connect Prague with Ostrava, Brno and Vienna were designed and built by Fiat.

Pendolino expess trains

Agency employment in the Czech Republic:

an easy way to acquire employees

Illustrative photo

Agency employment, i.e. temporary assignment of an employment agency's employee to perform work for a separate employer (user) is a very common way of acquiring workers in the Czech Republic. This form of employment is a very effective, easy and available means by which an investor can acquire new employees, particularly in cases of one-off or time-limited orders, seasonal work, insufficient workforce on the local labour market and in many other cases.

Thus, it is very advantageous especially for incoming foreign investors, as from the user's perspective it is an **administratively undemanding means of gaining employees** without complicated legal acts related to the establishment and termination of employment relationships. It also results in lower costs in the area of human-resources management and the investor is not burdened with contributions to the health insurance and social-security schemes or to the state employment policy. Furthermore, it enables simplified human resources planning. It is also advantageous for employees, as it helps to reduce unemployment, makes it possible to choose short-term employment and to bridge the period in which it is possible to find longer-term employment, and helps graduates in their job searches.

Characteristics of agency employment

Agency employment is a specific form of employment in which the de iure employer and the de facto employer are not the same entity. This concerns the mediation of employment in the form of temporary assignment of an employee to perform work for a separate legal entity or natural person. The employment agency (hereinafter referred to as the "agency"), which takes on the role of the de iure employer with all responsibilities, related thereto, acts as a mediating administrative body in the actual employment relationship between the "user" employer and the employee.

The de iure employer, i.e. the agency, is understood to be the employer with which the employee signed an employment contract or agreement on work activity. Act No. 262/2006 Coll., the Labour Code, as amended, fully applies to the legal relationship between this entity and the employee. However, the employee does not perform the relevant work for this employer.

The agency's activity in the area of agency employment has the character of a **commercial undertaking.** The agency, a licensed commercial entity, provides its employees to users, whereas such provision is based upon consideration and comprises the foundation of the agency's business activities. Such consideration is thus a basic characteristic of the legal relationship between the agency and user. Agencies have the right to demand payment for their services only in relation to their business partners, i.e. the users. An agency may not demand such payment from natural persons whom it employs or intends to employ in future.

The de facto employer (user) is understood to be an entity that assigns work to the employee and provides instructions for the performance of such work. The user, without involving itself in personnel issues related to its business at the internal level, thus receives the opportunity to entrust part of its human-resources administration to an external entity, which allows it to better concentrate on its core business activities. The relationship between the agency, temporarily assigned employee and the user forms a triangle of legal relationships, which is the subject of this article.

Agency employment requires "comparable conditions", which can be defined as working and wage conditions comparable to those enjoyed by the user's own employees. The agency and user are obliged to ensure that such conditions are as good as the existing or probable conditions applied to comparable employees (taking into account qualifications and length of professional experience).

Where the **duration of the temporary assignment** is concerned, it essentially applies that the agency may not assign an employee to perform work for a user for a period exceeding 12 consecutive calendar months. Nevertheless, the Labour Code sets forth certain exceptions.

The agency-employee relationship

The first step on the path to establishing the notional triangle of legal relationships between the agency, its employee and the user is the **establishment of an employment relationship between the employee and the agency based on an employment contract** or a legal relationship based on an **agreement on work activity,** which is concluded for the purpose of performing work for the user. An agreement on performance of work thus is not applicable within the context of temporary assignment. However, its inclusion is currently being discussed intensively at the expert level.

In order for the agency's employee to be assigned temporarily at a later day, the employment contract or agreement on work activity must contain the **employee's consent to possible assignment** to perform work for an entity other than his/her employer. Such consent must therefore have the form of a written agreement within the employment contract or agreement on work activity by which the agency undertakes to ensure its employee's temporary work for the user and by which the employee undertakes to perform such work according to the user's instructions. This means that, in addition to other basic requisites pursuant to the Labour Code, the employment contract must contain a further basic agreement pertaining to the above-mentioned obligations of the agency and its employee.

The agency assigns the employee to work temporarily for the user according to **written instructions.** This concerns a unilateral legal act whose required content is stipulated by the Labour Code. This act contains, for example, the period of duration of the temporary assignment, information on "comparable conditions" and, optionally, conditions of a unilateral declaration on termination of work performance prior to expiration of the temporary assignment period if an agreement on temporary assignment has been concluded. Such instructions cannot change the type of work that was agreed in the employment contract or agreement on work activity concluded between the agency and the employee. It generally applies that even though written instructions are not part of the employment contract or agreement on work activity, such instruction cannot be in contravention of the legal framework laid out by such contract or agreement.

The agency-user relationship

A written **agreement on temporary assignment** of the employee concluded between the agency and the user is of fundamental importance. Such an agreement's required content is determined by the Labour Code as follows: identification of the temporarily assigned employee; the type, duration and place of work performance; date of entry into work performance; information on "comparable conditions"; conditions under which the temporary assignment may be terminated by the employee or the user prior to expiration of the agreed period; and information on the agency's license to conduct the relevant activity.

The user-employee relationship

The relationship between the user and the assigned agency employee is a de facto relationship that arises through the transfer of the dispositional competence of the employer (the agency) to another entity (the user). Therefore, the user manages and supervises the employee's work during the period of temporary assignment. This dispositional competence is connected with the obligation to create favourable working conditions and to ensure safety and protection of health during the course of work. The veracity of this relationship is thus underpinned by the fact that the user expressly undertakes not to perform legal acts with respect to the employee on the agency's behalf.

The future of agency employment in the Czech Republic

In the near future legal regulations governing agency employment will probably be subject to certain changes in connection with endeavours on the part of the Ministry of Labour and Social Affairs to generally revise the Labour Code. The ministry has proposed, for example, allowing temporary assignment on the basis of an agreement on work performance and stipulation of its mandatory written form, allowing temporary assignment of employees to a separate legal entity or natural person by other employers that are not agencies under the condition that the purpose of such assignment shall not entail the lending of workers and that the wage and other working conditions of temporary employees will be at least the same as the working conditions of comparable employees of the legal entity or natural person to which they are assigned, and separation of the conditions under which a temporary assignment can be prematurely terminated by the employee or user from fundamental requisites of the agreement on temporary assignment and formulation of an agreement on such conditions as a possibility.

Also under discussion is whether and how to define "comparable conditions", how to deal with the effectuality of collective agreements concluded by users for agency employees, and the issue of liability relationships, particularly direct general liability for damage, between the agency employee and the user pursuant to Section 250 of the Labour Code.

An amendment to the Employment Act is also being prepared, which should tighten conditions relating to agency employment. As compared to current regulations, the draft amendment assumes the participation of the Interior Ministry in the process of awarding permits for employment mediation. Pursuant to the draft amendment, the Ministry of Labour and Social Affairs should be obliged to obtain the agreement of the Interior Ministry; without such agreement, it will not be possible to issue permits. Pursuant to the draft amendment of the Employment Act, the Interior Ministry could revoke an agency's licence in the even that the agency does not fulfil its obligation to statistically document the number of employed persons. The amendment would also increase penalties imposed on agencies.

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PRAGUE – BRATISLAVA – KIEV – SOFIA

Illustrative photo

Energy for your investment

Focus on energy regulation in the Czech Republic

Operation in the Czech energy sector is relatively well governed by a legislative framework that defines the rights and responsibilities of business entities operating in the energy market, as well as the rights and responsibilities of consumers. European Union requirements have also been incorporated into the national regulations. Act No. 458/2000 Coll., on Business Conditions and Public Administration in the Energy Sectors (the Energy Act), and Act No. 406/2006 Coll., on Energy Management, can be seen as the fundamental bases of this legislative framework. Specific aspects of these energy norms are outlined in the following text.

The Czech market is also governed by the Energy Regulatory Office, which issues price decisions in relation to both of the aforementioned acts and decrees for the purpose of ensuring economic competition, use of renewable and secondary sources of energy and protection of consumers' interests in those areas of the energy sectors where competition is not possible. An overview is available on the office's website at www.eru.cz.

Act No. 458/2000 Coll. (the Energy Act)

This act has been amended eight times. Three of the amendments involved only minor modifications related to other legal regulations, and one amendment – Act No. 278/2003 Coll. – changed the process of opening the electricity market. With respect to scope and significance, the amendment under No. 670/2004 Coll., by which the new Directives of the European Parliament and Council No. 2003/54/EC, No. 2003/55/EC, on Common Rules for the Internal Market in Electricity and Natural Gas, and No. 2004/8/EC, on Promotion of Cogeneration of Electricity and Heat, was particularly important. The current wording of Act No. 458/2008 Coll. reflects the regulations in force in the European Union until the time of its passage. The act is thus based on the same principles of the European Union's energy legislation.

New amendments to the Energy Act, which are formulated in the draft, are currently under debate. These amendments are in response particularly to the Directive of the European Parliament and of the Council No. 2006/32/EC, on Energy End-Use and on Energy Services and on the Repeal of Council Directive No. 93/76/EEC; No. 2005/89/EC, on Measures to Safeguard Security of Electricity Supply and Infrastructure Investment; No. 2004/67/EC, on Measures to Safeguard Security of Natural Gas Supply; and Regulation of the European Parliament and of the Council No. 1775/2005 on Conditions of Access to the Natural Gas Transmission Networks, which have not yet been incorporated into our legislation.

Proposals to amend the act also derived from the experience of participants in the electricity and natural-gas market as well as the state administration with application of the act's provisions and are aimed at remedying deficiencies or clarification of the text so that it can be more simply and unambiguously applicable. The amendments also concern simplification of the licensing procedures and processes related to entry into business in the energy sectors, establishment of new energy capacities, application of measures in the case of non-standard operating conditions of the energy system, etc.

Act No. 406/2000 Coll., on Energy Management

The purpose of the Energy Management Act is to increase energy efficiency in the production, transmission, distribution and consumption of energy and storage of gas, including related activities. The act also sets forth the responsibilities related to handling energy, performance of energy audits and, among other things, regulations for creation of the State Energy Policy, the National Programme of Economical Energy Handling and use of renewable and secondary sources of energy. The act also sets forth the obligations pertaining to cogeneration of electricity and heat and labelling of appliances, and the obligations of builders and owners of buildings regarding energy management, whereas particular attention is focused on the obligations of operators of state and municipal properties. Furthermore, this act outlines the obligations concerning the inspection of boilers burning liquid, gas or solid fuel ad 200 kW and inspection of air-conditioning systems. The obligation to process permits for energy consumption in buildings with floor space greater than 1,000 m^2 is also newly defined in the act.

Among other things, the following obligations and requirements are formulated in this act:

- Producers of electricity or heat are obligated to ensure at least the minimum efficiency of energy consumption set forth in the implementing legal regulation in newly established power or heating plants.
- In the case of newly established heating distribution facilities and internal heating systems, owners or operators of heating distribution

facilities and owners of internal heating and cooling distribution systems are obligated to ensure the efficiency of energy consumption and of distribution equipment and internal heating and cooling distribution systems in the scope stipulated by the implementing legal regulation.

- Each producer of heat with common source performance greater than 5 MWt is obligated, in the case of building new sources or changing the final structure of existing sources, to subject the construction documentation to an energy audit from the perspective of introducing electricity generation.
- Each producer of electricity from thermal processes with common source performance greater than 10 MWe is obligated, in the case of building new sources or changing the final structure of existing sources, to subject the construction documentation to an energy audit from the perspective of introducing heating supply. In the case of using gas turbines, this obligation relates to performance greater than 2 MWe and, in the case of using combustion engines, to performance greater than 0.8 MWe.
- Builders or owners of buildings must ensure fulfilment of the given building's energy-efficiency requirements and fulfilment of the comparison indicators stipulated by the implementing legal regulation, and fulfilment of the requirements set forth by the relevant harmonised Czech technical norms. The implementing legal regulation stipulates the energy-efficiency requirements for buildings, the comparison indicators, method of calculating the energy-efficiency of buildings and details relating to fulfilment of these requirements. In the case of changes made to existing buildings, requirements are fulfilled for the entire building or for changes in systems and building elements.

Act No. 180/2005 Coll., on Promotion of the Use of Renewable Sources of Energy

The purpose of this act is to promote the use of renewable sources of energy, specifically wind, solar and geothermal energy; hydropower; soil, air and biomass energy; landfill gas, sewer gas, and biogas. The act is aimed at continually increasing the ratio of renewable sources to primary sources of energy, conservation of natural resources and fulfilment of the indicative target of an 8% proportion of electricity from renewable source in the gross consumption of electricity by 2010.

Support relates to the production of electricity from renewable sources produced by facilities in the Czech Republic using renewable sources and is stipulated variously according to the type of renewable source, size of installed performance of the facility and, for example, according to biomass parameters. Support also relates to the production of electricity from mine gas extracted from closed mines.

Furthermore, the act sets forth the rights and responsibilities of entities on the market in electricity from renewable sources, conditions of support, purchase and documentation of production of electricity from renewable sources, stipulation of prices for electricity from renewable sources separately for individual types of renewable sources and green bonuses, the method of regular evaluation of the ratio of production of electricity from renewable sources to the gross consumption of electricity for the past calendar year and calculation of anticipated impacts of support on the overall price of electricity for the end-consumer in the subsequent calendar year.

Legislation in the area of cogeneration of heat and electricity

It is first necessary to state that the cogeneration method of production has a long tradition in the Czech Republic, which is reflected in the country's energy policy in the area of cogeneration of electricity and heat. It is shown in this policy that it is necessary, in accordance with EU Directive No. 2004/8/EC, on the Promotion of Cogeneration of Electricity and Heat, to ensure its fulfilment, particularly through new regulations and expansion of the Energy Regulatory Office's competence, including possible preparation of a separate Act on Promotion of Cogeneration of Electricity and Heat thus:

- Preserve the existing principle of priority connection to the transmission or distribution network and the right of priority traffic of the transmission or distribution network.
- In the initial period, preserve the principle of mandatory purchase of electricity and heat with regulated supplementary pricing.
- According to the results of conducted analyses, and if in the European Union there is a unified approach to promotion of cogeneration of electricity and heat, adapt the support system in the Czech Republic to such unified system.

Support or cogeneration is embedded in the Energy Act and the Energy Management Act. Also enacted is the process for issuing certification of the origin of electricity from cogeneration, and the method of determining the amount of electricity from cogeneration of electricity and heat is also set forth. A system for supporting the purchase of electricity from cogeneration via price regulation has been implemented by the Energy Regulatory Office on the basis of the energy legislation in force. Complete information on all current legislative regulations in the area of energy in the Czech Republic is available on the website of the Ministry of Industry and Trade at www.mpo.cz.

For investment in the Czech Republic, the following can be generally stated with respect to economical energy use:

- Conditions for realisation of structures or energy-generation systems in the Czech Republic are generally defined by the Building Code.
- Within the licensing system it is necessary to also fulfil the conditions ensuring the efficient use of energy in the area of its production and distribution, as well as in the area of consumption. Specific conditions are unambiguously defined in all degrees of legislation – in acts, implementing regulations and decisions.
- From this perspective, licensing criteria are focused primarily on optimisation of consumption of primary energy resources. In the case of construction of new buildings and complexes, emphasis is placed on aspects of such buildings' thermal-technical properties, efficient heating and air-conditioning systems and lighting systems.
- In the case of construction of heat and electricity sources, cogeneration of electricity and heat is preferred. Of course, this is conditioned by the attainability of useful heat supplies. Depending on the type of fuel burned, all sources must achieve the stipulated energy-efficiency values.
- Effective use of renewable sources of energy is a priority supported by the state in the form of preferential purchase prices and, in the case of fulfilment of the stipulated conditions, often in the form of financial aid for construction.

Thus, it can generally be stated that the Czech Republic has established a stable system of conditions for construction of new buildings or systems with respect to ensuring the efficient use of energy that fully respects EU regulations.

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The University of Jan Evangelista Purkyně gets a new home in Ústí nad Labem

Until relatively recently Ústí nad Labem was without its own university, even though it is one of the Czech Republic's most industrialised regions. In 1991 a new, general university was founded on the basis of a pedagogical faculty that had been active in Ústí nad Labem since 1954. Today this university has 10,000 students and more than 560 instructors, making it perhaps the fast growing institute of higher learning in the Czech Republic. Thanks to its rapid growth, the university is spread out in numerous buildings in various parts of the city of Ústí nad Labem. Since 2004, however, a university campus has been planned and is gradually being built on the site of a former hospital in the city centre. This new campus will facilitate opportunities for cooperation between the school, industry and the business sphere.

The university's history and present

The University of Jan Evangelista Purkyně (UJEP) in Ústí nad Labem comprises the cornerstone of education, science, research, development and art in the region. It is the only public university based in the Ústí region and is thus of key importance in the intellectual development of the region's human resources. This is particularly noteworthy, as Ústí has long struggled with numerous problems associated with the restructuring of industry and environmental damage, as well as the displacement of the population resulting from mass migration following the second world war.

The university bears the name of a celebrated nineteenth-century Czech biologist, physiologist and anatomist, Jan Evangelista Purkyně, who was a native of the Ústí region. At the time of its establishment, the University of Jan Evangelista Purkyně comprised three faculties (Pedagogy, Social Economics, Environment) plus the Institute of Slavic-Germanic Studies. Since then, four more faculties (Manufacturing Technologies and Management, Art and Design, Philosophy, Natural Sciences) have been added and the university currently has two institutes (Healthcare Studies, Humanities).

In addition to the traditional fields of instruction in general and specialist subjects (e.g. chemistry, mathematics, physics and biology), the school provides education in the areas of economics and management, information technologies and foreign languages, as well as social sciences and healthcare. Emphasis is also placed on practical fields of industry and environmental protection, such as mechanical engineering, production management, glass and polymer manufacturing technologies, materials, waste management, environmental protection in industry and water management.

The university successfully cooperates with industrial and other firms both in the area of training future employees and in science and research. Such cooperation involves domestic and foreign firms such as Škoda Auto, Ronal, Kolbenschmidt, Asahi Glass/Glaverbel, Dalkia and Alcan. Research and development is conducted in the areas of materials, mechanics of rigid and flexible bodies, precision machining of metals and ceramics and surface properties. The university annually issues more than 100 scientific publications, conference journals and educational materials.

UJEP has also established beneficial cooperation with universities in France, Canada, Israel, Germany, Austria, Sweden and other countries. This involves exchanges of students as well as cooperation in the area of research and development.

The new university campus

The idea to build a university village on the site of the former Masaryk Hospital in the centre of Ústí nad Labem came about prior to 2004. The hospital complex dates to the early twentieth century and thus contains buildings of various ages and architectural styles. In the 1990s the hospital was gradually moved to newly built spaces outside the city centre.

In order to begin preparation for this ambitious project, an agreement on cooperation was concluded in 2004 between UJEP,


Auditorium at the University of Jan Evangelista Purkyně

the Ústí region, the city of Ústí nad Labem, and Masaryk Hospital. The hospital grounds were handed over to the university, which thus gained a complex where it could gradually concentrate its facilities in one place in the city centre while also obtaining necessary space for its future development. Thanks to the construction of required facilities for its effective operation and development of its capacities, the university will be able to contribute even more to enhancing the level of education in the region, including dynamic development of technical- and natural-sciences fields, which will have a generally positive effect on the development of human resources in the region.

The complex will house the university's educational, research and administrative facilities, which will comprise the core of the campus. The Faculties of Manufacturing Technologies and Management, Natural Sciences, Philosophy and the Environment will eventually be transferred to the complex, as will the Institute of Healthcare Studies and the rectorate. The principle of sharing and making effective use of capacities will be fulfilled by the university's science library, which will form the heart of the campus and serve as a multipurpose centre and university laboratory centre. The library will include lecture halls that can also be used as conference spaces. The main part of the complex will be accompanied by the so-called service part of the campus, which will feature dining, housing and parking facilities, shops, and other services (medical, financial). In order to further develop the required research capacities and support science in general, new facilities for the natural and technical sciences, including the environment, will be established at the university.

Such an extensive project is, of course, a long-term proposition toward which the university is directing a great deal of effort. In 2007 the project underwent an evaluation that resulted in a shift away from the original concept of building a complex in the form of a public-private partnership (as a pilot PPP project in Czech education) and toward multi-source financing in the form of several related projects according to the university's development priorities. To meet the needs of its development, in autumn 2007 and spring 2008 the university set up a new construction programme based on which a new urban-development/architectural study will be implemented.

Faculties on the move

The university has been gradually performing renovation at the campus since 2005. The newly renovated Building B, for example, will be used by the Faculty of Art and Design, which began to move into its new spaces in June this year. Buildings housing the chapel, exhibition hall, Pedagogical Faculty library, refreshment spaces, and facilities of the Faculty of Social Economics have also been renovated.

The instruction spaces of the Faculty of Manufacturing Technologies and Management (Building H) have been fully renovated and currently also serve as part of the university's Informatics Centre. Upon completion of the Faculty of Art and Design building, the entire north-east section of the complex will be finished and in operation in autumn 2008, thus creating a unit that complements the already functioning part of the university. This concerns the Pedagogical Faculty building, which will also house the Philosophy and Natural Sciences Faculties, and the Faculty of Social Economics building. Today approximately 6,500 students and at least half of the university's employees study and work at the complex.

At the same time, the university is preparing to very intensively utilise aid from EU Structural Funds. The acquired financing will be used to develop capacities in the area of education and research, as well as to support entrepreneurship and cooperation in applying the results of research and development in practice.

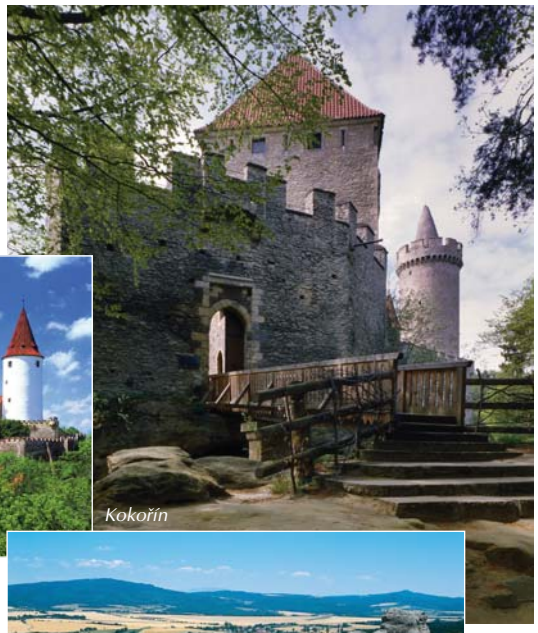
The new campus will enable the University of Jan Evangelista Purkyně to not only improve the quality of instruction and research, but also to create room for better cooperation with industry and the business sphere, thus also bringing benefits to firms located in the Ústí region.

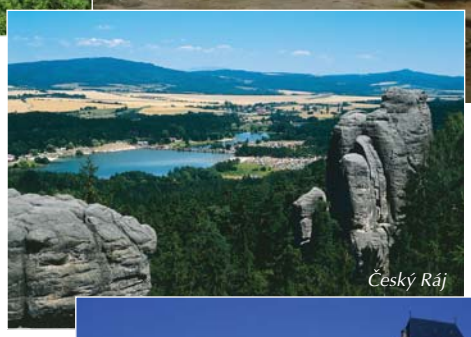
Jana Siková,
The University of Jan Evangelista Purkyně ed.


University of Jan Evangelista Purkyně campus

The heart of the heart of Europe: Central Bohemia


Křivoklát


Kokořín


Český Ráj


Karlštejn

The heart of the heart of Europe. This phrase aptly describes the Central Bohemia region, which lies in the middle of the Czech Republic, fully encompassing the country's capital, Prague. The Czech Republic's oldest settlement is found here and many historic events have occurred in the region whose impact has been felt across Europe. The region's primary attributes are its beautiful castles and chateaux, golf courses and the carmaker Škoda.

Central Bohemia is one of the Czech Republic's largest regions in terms of population and the number of municipalities. Its land area covers nearly 14% of the country. The region is divided into 12 districts with ten district seats. The regional capital is Prague, even though the city comprises a separate territorial administrative unit. Kladno is the region's largest city other than Prague.

The region offers extraordinary natural beauty, which is reflected in the large number of protected landscape areas (PLAs). For example, the Křivoklát PLA is a UNESCO biosphere reservation with remarkably diverse flora and fauna in expansive forests and significant archaeological sites. The Kokořín PLA is known for its romantic valleys and uniquely shaped sandstone formations while the Český ráj PLA in the Mladá Boleslav district features sandstone massifs with a large number of ruins, chateaux and castles. The region's – and perhaps the entire country's – most well-known castle is Karlštejn, which is located near Prague and is a reminder of the celebrated rule of the fourteenth-century Czech emperor of the Holy Roman Empire, Charles IV he current commercial symbol of the Central Bohemia region is indisputably the carmaker Škoda, which holds a 50% share of new car sales in the Czech Republic and also enjoys significant success abroad.

The region offers a broad array of sporting opportunities and facilities, including bicycle and hiking trails among the numerous sandstone massifs, which are popular among rock climbers. Central Bohemia not only has the largest concentration of golf courses in the Czech Republic, but also a large number of flying clubs, equestrian centres and water parks.

A tradition of automobiles and big investments

Central Bohemia is one of the Czech Republic's economically most significant regions. Traditional sectors are being revitalised, while new centres of economic development are being created. In many respects, the region's economic structure complements Prague. However, the region is far more focused on agriculture (in the Polabí area) and the manufacturing industry.

A key municipality in the northern part of the region is Mladá Boleslav, which is practically synonymous with the carmaker Škoda, a traditional pillar of the Czech automotive industry. Another carmaker, TPCA Kolín, which has been operating in the Czech Republic since 2005, is also a major investor in the region. The automotive industry and related sectors predominate in Central Bohemia and an automotive technology cluster here could have super-regional and international impacts.

The multinational tobacco company Philip Morris in Kutná Hora is among the region's other big investors. The company is beneficial to the region not only due to the above-average wages of its employees, but also due to the exemplary way it cares for the city of Kutná Hora and its historical landmarks, in which it annually invests significant amounts of funding.

The traditional production of iron in Kladno has been replaced by the modern Kladno-Dřínov steelworks specialising in high-quality steel. Rakovník and its surroundings are distinguished by an abundance of clay and other raw materials for ceramics, which are used in the production of tiles and stoneware. A major investor in Rakovník in recent years is Procter & Gamble Rakona, which is one of Europe's largest manufacturing enterprises focused on the production of cleaning agents (for exam-

Basic data

Area	11,015 km²
Population (2006)	1,175,254
Population density	106/km²
Unemployment rate (2006)	4.5%
GDP (2006)	EUR 11,714 mil.

Source: Czech Statistical Office, 2007

ple, Ariel Jar, Lenor) and is also one of the largest exporters in the Czech Republic.

Příbram has a long tradition of mining polymetallic and uranium ore, though uranium mining recently ceased here. The chemical industry is prominent in Neratovice na Labi and Kralupy nad Vltavou. The Neratovice-based company Spolana produces sulphuric and hydrochloric acid, automotive cleaning products and staple rayon for the textile industry. Kralupy nad Vltavou is home to a new chemical plant and oil refinery that is the Czech Republic's largest producer of synthetic rubber and other materials.

Central Bohemia is also distinguished by big investments in research and development. The region is home to several institutes of the Academy of Sciences of the Czech Republic – Institute of Botany (Průhonice), Institute of Inorganic Chemistry (Řež u Prahy) and the Nuclear Physics Institute (Řež u Prahy). Prague has the largest proportion of the Czech Republic's R&D workers (41.7%), which is primarily due to the capital's large concentration of universities. By comparison, 10.3% of such workers are employed in Central Bohemia, putting the region in third place, closely behind South Moravia.

Future opportunities

Central Bohemia's chief advantage lies in its location and proximity to the capital, as well as its favourable climatic conditions for agriculture and high level of business activity. The region further benefits from its extraordinarily low unemployment rate (the second lowest behind Prague) and relatively dense network of roads and railways connecting its cities and towns. The region is traversed by main highways and rail corridors of national and international significance, making it exceptionally accessible. Growth of the tourism industry continues to be a challenge for the region, while opportunities can be found in the establishment or expansion of industrial zones and regeneration of brownfields and their subsequent use for the manufacturing industry, for example, which is partially related to foreign investors' interest in Central and Eastern Europe. Significant industrial zones are located in the vicinity of Prague (e.g. Hostivice Tulipán Park, Jeneč), Kladno (Kladno-Dřín, Tuchlovice) and Kolín (Kolín-Ovčáry).

The region's future depends on the success of small and medium-sized enterprises. A broad range of services is provided to start-up enterprises by, for example, VYRTYCH – Technologický park a Inkubátor, Nymburk Business Incubator, the Zlatníky-Hodkovice Innovation Centre of Central Bohemia, and the Mstětice Science and Technology Part, which offers facilities for developers, scientists and start-up firms in the area of transportation technologies, and the Science and Technology Park and Business Incubator of the Nuclear Physics Institute in Řež. Clusters offer established companies the opportunity to benefit from the synergistic effects resulting from association in such a grouping.

Šárka Špoutilová, CzechInvest

Škoda Auto – the engine of the Czech Republic

Škoda's history can be traced back to the end of the 19th century, when in 1895 two bicycling enthusiasts – Václav Laurin, a mechanic, and Václav Klement, a bookseller – manufactured their own bicycles under the name Slavia, which reflected the patriotic mood of the time. The company shifted its focus entirely to manufacturing automobiles in 1905. The first Laurin & Klement car, the Voiturette A, became a Czech classic. The merger with Škoda Plzeň in 1925 brought about the demise of the original Laurin & Klement brand.

The company's operation was severely disrupted by the second world war. Car manufacturing was restricted and production was fully subordinated to the needs of the German occupiers. During the post-war period the company was renamed as AZNP Škoda and was assigned a monopoly position in the production of automobiles.

A major turning point in the history of Škoda Auto was the Velvet Revolution in 1989 and the downfall of the socialist regime. Faced with the new conditions of the market economy, the government of the then Czechoslovakia and Škoda's management in Mladá Boleslav immediately began to look for a strong foreign partner that would ensure the company's international competitiveness. It was decided in 1990 that the German concern Volkswagen would be that partner.

Today Škoda prides itself on the competitiveness of its products and ever increasing sales in traditional as well as new markets, most notably China. Russia, Poland, Germany and, of course, the Czech Republic are other major markets in which the company operates. Worldwide deliveries to customers in the first half of 2008 grew by 17.9% year-on-year. With 186,487 units sold (i.e. more than half of all delivered vehicles) the Octavia is Škoda's strongest model line in terms of volume, having achieved 21.1% year-on-year sales growth in the first half of this year. The company also has high hopes for the redesigned Škoda Superb, which was introduced to the market in spring 2008.

Source: www.skoda-auto.com

The new Škoda Superb

Selected investors in Central Bohemia region

Company	Sector	Country	Investment*	Jobs
Toyota Peugeot Citroën Automobile, Kolín	automotive	Japan/France	741.7	3,000
VDO CZ – Siemens, Brandýs nad Labem	electrical engineering	Germany	197.9	1,900
Baxter Bioscience, Kostelec nad Černými Lesy	pharmaceuticals	Switzerland	62.3	184
Valeo Climatisation, Rakovník	automotive	France	54.6	877
Lonza Biotec, Kouřim	biotechnology	Netherlands	49.4	80
Behr Czech, Mnichovo Hradiště	automotive	Germany	39.5	60
Cebalsol, Kolín	plastics	Germany	38.2	150
Linde Frigera, Beroun	electrical engineering	Germany	37.1	692
Sumikei, Benátky nad Jizerou	automotive	Japan	19.3	100
Lear Corporation, Kolín	automotive	USA	15.1	342
Changhong Europe Electric, Nymburk	electrical engineering	China	6.1	300

**Note: EUR mil.*

Source: CzechInvest, 2008

The Czech economy's outstanding results reflected in the 2007 Investor of the Year awards

Representatives of the most significant Czech and foreign investors came together on the occasion of the 2007 Investor of the Year awards ceremony at the end of May this year. The eighth annual event was organised by the Association for Foreign Investment in cooperation with CzechInvest and members of the Partnership to Promote Foreign Direct Investment in the Czech Republic – ČSOB, Sumitomo Corporation Europe, Metrostav and Zátiší Group.

All award winners in the Investor of the Year 2007 competition

The impressive surroundings of Prague's Žofín Palace on Slovanský Island lent the ceremony an atmosphere befitting the occasion, when eleven domestic and foreign companies were presented awards for the most significant investment projects of the past year.

Investment has clearly played a significant role in the Czech economy's growth in recent years. Even though the structure and amount of foreign investments flowing into the Czech Republic are changing, our country remains attractive for a range of investors. Support is currently being focused particularly on sophisticated, technologically demanding investments requiring highly skilled employees.

Revenues of the largest companies in the Czech Republic are growing continually, albeit at a slower rate than previously. Firms' positive results are evidenced by the fact that out of the top ten companies with the highest revenues, seven operate in different sectors. The Czech economy is not dependent on one or two industrial sectors and thus has a more solid foundation built on several pillars. Substantial successes in various segments of the economy attest to the large number of fields on which future investments can be focused and, with due effort and a little luck, become well established on the market.

"It is symbolic that whereas in the agency's early days foreign investments clearly predominated, today native Czech firms are coming up with the greatest number of new ideas and new projects," says Alexandra Rudyšarová, acting CEO of CzechInvest. "This development is reflected in the results of the Investor of the Year competition – seven Czech companies were among this year's eleven winners, which is an excellent calling card for the Czech economy."

"Today the Czech Republic is a country that attracts investors particularly thanks to its talented people, who are capable of making maximum use of state-of-the-art technologies," adds Martin Slabý, chairman of Association for Foreign Investment. "Among the award-winning companies there are, for example, three automotive designers, a trio of software developers, an electronics manufacturer, a producer of aircraft-engine and small-engine components and a company producing high-tech hospital beds. These are examples of sectors that bring the highest added value, and on which the Czech Republic is concentrating."

Awards were presented in five categories representing the sectoral distribution of investments in the Czech Republic: Most Significant Investor of the Year – Manufacturing Industry, Most Significant Investor of the Year – Business Support Services, and Investment with the Greatest Innovation Potential, as well as two categories for Czech suppliers – Contract of the Year and Technological Benefit of the Year. These main categories were supplemented with the Special Prize for Extraordinary Contribution to the Development of Foreign Investment in the Czech Republic.

Companies eligible for Investor of the Year awards were those that decided to invest in the Czech Republic in 2007. The ranking of the winners was determined according to the amount invested in the technical equipment of the centre in relation to the number of newly created jobs and the costs expended on training employees.

In the area of manufacturing, first prize went to the Taiwanese company Foxconn CZ for its factory in Kutná Hora, where it will produce LCD monitors and notebooks. The company is investing over CZK 3 billion in the new plant and will create more than five thousand jobs. In the area of business support services Logos came out on top thanks to the expansion of its software-development centre in Prague. The company is investing tens of millions of crowns and will employ dozens of programmers. Aufeer Design took first place in the category Investment with the Greatest Innovation Potential for the expansion of its design centre for the transportation industry in Mladá Boleslav.

Foxconn was followed in the manufacturing-industry category by Mora Aerospace, which expanded its aircraft factory in Olomouc. The third-place prize went to Linet for the expansion of its hospital-bed factory in Želevčice u Slaného. The second- and third-place awards in the area of business support services were presented to Concur Czech for its software-development centre in Prague and SolarWinds Czech, which established an IT centre in Brno. Denso Manufacturing Czech took home second prize for the establishment of a centre for the development of automotive air-conditioning units in Liberec, while third place went to Naretec for the expansion of its design centre for the transportation industry in Plzeň.

Suppliers were also recognised for their achievements last year. The winner in the category Supplier of the Year – Contract of the Year was Motor Jikov Tlaková slévárna, which with CzechInvest's assistance managed to conclude a significant contract with Briggs & Stratton. The Czech company Swell, which also obtained important contracts with CzechInvest's support, received the top prize in the category Supplier of the Year – Technological Benefit of the Year.

"The business environment in the Czech Republic is very good and the country continues to be attractive for foreign investors," says Peter Roebben, COO for corporate banking at ČSOB, who received the Special Prize for Extraordinary Contribution to the Development of Foreign Investment in the Czech Republic. The same prize was also presented to the general manager of AVX, Jiří Skála: "When we started, we covered four percent of the market. We have since increased production almost ten-fold, and that original four percent has grown to the current twenty percent of the world market."

Martin Michalov,
Association for Foreign Investment
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Farnborough 2008: The aviation industry still alive and well

Every two years in July a small town in county Hampshire hosts a seven-day event known as one of the world's most important celebrations of the aviation industry. Since 1948 the Farnborough Air Show has been a showcase of innovation as leading aviation firms put their products and innovations on display here and this year's 46th edition of the event was no exception.

Not only technical and production innovations were in evidence at this year's show. The importance of cooperation in the aviation industry was also apparent in a number of exhibited aircraft. The Russian firm Sukhoi presented it concept for a new regional jet transport equipped with French engines and designed with Italian participation. Bombardier of Canada received initial orders for its CSeries family of regional transport aircraft, which will be manufactured

Aerial view of the fairgrounds

in Northern Ireland, and announced its intention to provide technical support for a similar project in China (ARJ21 model). Airbus is beginning assembly of its midrange airliners in Tianjin, China, in a plant based on its manufacturing facility in Hamburg. Boeing has engaged a Japanese supplier to accelerate deliveries of its new 787 airliner.

International cooperation, exchange of manufacturing, technical, market, and logistics insights and shared know-how are giving new strength to today's aviation sector. This is particularly important in the current climate, when commercial carriers are incurring higher operating costs resulting from rising fuel prices, thus precipitating the need for new solutions. Nevertheless, key aircraft producers can be very satisfied as they currently have enough orders on the books to ensure operation at full capacity at least until 2013 and today it is not possible to find a vacant slot for delivery of any additional mid- or long-range aircraft in the next three to five years. Farnborough showed that these manufacturers are looking for new solutions and are actively cooperating with producers of engines, avionics and aircraft systems. The reason for this is the extremely intense competition between Boeing and Airbus in the highest category (long-range, high-capacity aircraft), and Embraer, Bombardier and three new player from Russia, China and Japan in the segment of regional transport aircraft. In the 1990s Embraer and Bombardier focused on production of 30- to 50-seat planes. Airbus's decision to end production of its A314 and A315 aircraft for 70-100 passengers and weak sales of the A318 and Boeing 737 for 100-120 passengers encouraged these smaller firms to enter the market with new aircraft designed to carry 70-100 passengers. Today Embraer and Bombardier are slowly making headway in the 100-seat aircraft segment and are indirectly forcing Airbus and Boeing to consider innovations of their models for 130-220 passengers. At the same time, Airbus and Boeing are heatedly vying for supremacy in production of high-capacity intercontinental airliners, each responding to the other's latest model with its own technically improved aircraft. Boeing responded to Airbus's double-decker A380 with the 747-8i concept, an improved version of its venerable workhorse with more composite elements, improved equipment and more efficient engines. Airbus's response to the Boeing 787 Dreamliner, on the other hand, took the form of development and production of its completely new A350.

Intense competition is also to be found among key suppliers in the sector which are continually improving their products. Manufactures of aircraft engines are endeavouring to develop optimal powerplants that are quieter and minimise fuel consumption. Avionics producers are striving to improve instrument and navigation technology that enables identification of the surrounding terrain in zero visibility and automatically sets the aircraft on the optimal course. Systems producers are minimising electricity consumption (and thus, indirectly, fuel consumption) with improved power units for electrical, fuel and de-icing systems and are seeking out independent solutions. In the area of air-traffic control, emphasis is being placed on reducing time spent waiting in holding patterns as a means of reducing fuel consumption.

Petr Nétek,
CzechInvest

Czech participation in Farnborough 2008

The Czech Republic brought to Farnborough a full range of original solutions based on extensive experience in research, development and production. Ten Czech aviation firms exhibited in the air show with the aim of not only obtaining orders from key market players, but also of finding strategic partners. The repair and production capacities presented by LOM Praha, new directions in engine production within the joint venture of GE and Walter Engines, development of cockpit and measuring instruments by Speel Praha and the continuing tradition of turboprop aircraft production at LET Aircraft Industries represent opportunities for the Czech Republic's ongoing contribution to the world of aviation.

The Czech Republic's exhibit at Farnborough 2008

The Czech cathedral of science and technology celebrates its 100th anniversary

The initial intention to establish the Technical Museum of the Kingdom of Bohemia was proclaimed at a meeting of enlightened industrialists and professors of the Czech Technical University one hundred years ago, on 5 July 1908. The museum has undergone many changes since that time, but for its enthusiastic staff and visitors, it holds the same significance that it had a century ago. This year the museum is celebrating its centennial with, among other things, an extensive facelift that will reflect its importance and glory while showcasing its vast collection.

Arrangement of the transportation exposition prior to renovation

Paying homage to science and technology

The Technical Museum in Prague was established on the initiative of a group of professors from the Czech Technical University at a meeting on 5 July 1908. The meeting approved a resolution on the establishment of the Technical Museum of the Kingdom of Bohemia in Prague and a preparatory committee was set up.

The museum actually came into existence on 13 March 1910, when the founding meeting of the Association of the Technical Museum of the Kingdom of Bohemia was convened. The association comprised a broad membership divided into specialist groups. Thanks to its efforts, the gates of the Schwarzenberg palace, where the museum's collection was originally housed, were opened on 28 October 1910. By 1935 the association's well-considered financial activities had resulted in sufficient funding for the construction of the modern building in Prague's Letná district that still houses the museum today and which was built according to the functionalist design of the architect Milan Babuška. Construction began in 1938 and was completed in 1942.

Unfortunately, history soon thwarted the good intentions of the museum's founders. The new building was taken over by the German occupiers and the museum found a refuge in the inappropriate spaces in Prague's Karlín neighbourhood. Even after the war, the building was not fully returned to the museum. The National Technical Museum, as it came to be called, regained the remaining spaces only in the last few years.

NÁRODNÍ TECHNICKÉ MUZEUM

Building on a century of success

After more than sixty years, the museum's operational facilities in Letná were no longer adequate to meet the needs of a modern institution. The museum building is therefore currently undergoing extensive renovation with the aim of revitalising the structure in the spirit of Milan Babuška's original vision. The result will be an additional 2,500 m^2 of exhibition space.

The space will eventually be opened to museum employees, who will begin to fill the renovated and new exhibition halls with interesting artefacts. In addition to the traditional installations, visitors to the refurbished museum will first be treated to the new exhibition of Architecture, Construction and Design, and the exhibition of Printing. The gradual reopening of the museum is planned for 2009-2010. The museum is commemorating its 100th anniversary by issuing a jubilee medal and special stamps showing items from its collection. Created by the engraver Bedřich Housa, the stamps feature an astronomical sextant from 1830, a Siegfried Marcus petrol engine from 1889 and a Jawa 750 automobile from 1935. A jubilee catalogue of the museum's collection, a book on its history and a range of accompanying events are also planned.

Alice Třísková,
National Technical Museum

Transportation exposition in the 1960s

Schwarzenberg Palace at the beginning of the 20th century – initial site of the museum

The National Technical Museum

The National Technical Museum is a central museum of the Czech Republic as well as a scientific institution with documentary, presentation, methodological and information functions. The basis of the museum's activities is its collection, which includes approximately 70,000 registered units housed in depositories on approximately 13,000 m², as only 15% of the items in the collection were displayed in permanent exhibitions prior to the renovation.

The collection includes, for example, astronomical instruments from the 16th century that were used by the famous Tycho Brahe, the first factory-built automobile, one of the world's oldest daguerrotypes, and countless other wonders. The scope of the collection and the hard work involved in caring for it is illustrated by the roughly 100 railway cars owned and in part operated by the NTM, which also has an expansive technical-history archive and library.

More information is available at www.ntm.cz.

The museum building in Letná soon after its completion in the 1940s

The museum building in Prague's Letná district

Flying high

An interview with Chip W. Erwin, founder and CEO of Czech Aircraft Works

Chip W. Erwin, an American from Wisconsin, came to the Czech Republic in 1994. In March 1997, he established Czech Aircraft Works (CZAW) with 12 employees started to assemble the company's first aircraft in a rented hangar. Today the company employs some 210 workers and is located in an 11,000 square-metre production facility in former Let Kunovice aircraft-factory complex purchased in 2006.

"Our employees take pride in their work, sometimes too much pride, as a few extra hours are spent in production but then that is reflected in the quality."

Chip W. Erwin has combined his passions with business in the Czech Republic

Why did you decide to invest in the Czech Republic?

As an aviator and entrepreneur I was constantly looking for opportunities to combine my passions with business. The Europeans established an ultralight aircraft class which the Americans mostly ignored. A European industry was born to supply this new market with the Czech Republic being the logical place for aircraft manufacturing with its skilled aviation engineering and workforce, manufacturing facilities, low labour costs and long tradition in aviation. Fifteen years later the US Federal Aviation Administration caught up with Europe with a new Light Sport Aircraft rule and the Czech Republic is now the single biggest supplier of these aircraft with some 30% of the American market.

Skilled employees are the key assets in aircraft manufacturing. Are you happy with your Czech employees?

We, and our customers of course, are very pleased with the quality of the aircraft we produce. Our employees take pride in their work, sometimes too much pride, as a few extra hours are spent in production, but then that is reflected in the quality. One of our advantages is that as an American I can show the engineers what to design for western markets. The engineers can show the workers what to make. The missing link is often the production management to make the aircraft efficiently and the customer-support staff. We have managed this very well in the past but now, as we reach 200 aircraft produced per year, we find we need to upgrade our management skills and good managers in the aviation industry are scarce. We have had some success bringing in managers trained in the much more mature and disciplined automotive industry.

Do you plan any expansion of your manufacturing or R&D capacities?

We have plenty of manufacturing space, which we plan to use to produce the amphibious Mermaid aircraft and the production of a new high-wing aircraft. R&D is a continuous process as we challenge our engineers to improve both the aircraft and the production processes.

Regional reach

An interview with Paul Kaye, Managing Director of Rolls-Royce Central and Eastern Europe

Paul Kaye has a background in the mining and engineering industries, which spans several continents and commodities. He has been based in Prague since 1997, when the British aerospace company Rolls-Royce committed itsef to the CEE region.

"No, my company car is not a Rolls-Royce. If I was to have a vehicle using our company's product, it would be an aeroplane, a helicopter, a fighter jet or a destroyer!"

Why did you decide to invest in the Czech Republic?

When Rolls-Royce made the decision to enter the Central and Eastern European market in the mid '90s, the Czech Republic was the natural choice. Prague had the infrastructure and position that we needed for establishing our headquarters for Central and Eastern Europe. Today, from Prague we manage our business in nineteen countries across the territory, the business encompassing civil aerospace, defence aerospace, energy, marine and civil nuclear.

Is the Czech / Central European market for your products doing well?

The Central and Eastern European market is doing exceptionally well across all our businesses. Obviously, this did not happen overnight. Rolls-Royce has put a lot of effort into harnessing local talents and combining them with our global experience to develop the individual markets in the territory. This is an ongoing activity and we anticipate that the market in Central and Eastern Europe will continue to grow strongly for Rolls-Royce.

Is Rolls Royce buying parts from any Czech suppliers?

Rolls-Royce is building a robust supply chain across the entire territory. We have been developing business with a number of Czech engineering companies for a long period of time. Some of our Czech suppliers have been working with Rolls-Royce for more than ten years. We are continuously seeking competent companies to be included in our ever growing supply chains.

ed.

Engine Trent 900 – product of Rolls-Royce

Partnership to Support Foreign Direct Investment in the CR

ASSOCIATION FOR FOREIGN INVESTMENT

CZECHINVEST
Agentura pro podporu podnikání a investic

The **Partnership to Support Foreign Direct Investment in the Czech Republic** is a joint project of the Association for Foreign Investment and the Investment and Business Development Agency CzechInvest. The project is intended for stable companies that offer highly competitive services and products and that are interested in supporting the high-quality investment climate in the Czech Republic while promoting the Czech Republic abroad. Programme activities support, to the maximum degree possible, communication between partners and foreign investors, Czech companies, representatives of the state administration and AFI members.

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