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## 1 NEWS

### SMK denies Lisbon Treaty deals

Leader of the SMK party, Pál Csáky, denies that any deals lay behind his party's decision to switch sides and back the government in a crucial recent vote in parliament. **page 3**

### Here comes another one

STV has a new general director. Again. The monolithic headquarters of Slovak Television (STV) had seen 13 general directors pass through its doors since the fall of communism in 1989. **page 9**

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### Restitution impasse continues

The Finance Ministry is proposing a new solution to a problem which has long kept two groups in Slovak society deadlocked: the owners of property returned under the restitution laws, and the tenants who still live in their property. **page 4**

### No end in sight to property rises

Over the past year, the prices of both newly built and older apartments have jumped due to massive demand and expectations ahead of the adoption of the euro in January. **page 5**

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### Bards honour Slovak filmmakers

Although the medieval Slavonic minstrels, igrics, would hardly understand what a film is, they would probably be pleased to see that they have become symbols of filmmaking success. **page 11**

### Žilina hosts top young musicians

Žilina will become the centre of young European concert art for the 18th time, hosting talent at the Central European Music Festival between April 21 and 26. **page 11**



Man on a mission: Slovak Television's new general director Štefan Nižňanský, who was elected on April 16. The former communist-era journalist and news anchor fills a post which has been vacant since last December.

# The Lisbon Treaty, in hindsight

Opposition quarrels as experts ponder treaty's effect

BY ĽUBA LESNÁ  
*Spectator staff*

WHILE Brussels has welcomed Slovakia's ratification of the Lisbon Treaty, which sailed through parliament on April 10, the treaty's path to passage caused a serious rift between the opposition parties that

political analysts are describing as a crisis.

The treaty passed with the backing of the Hungarian Coalition Party (SMK), which, along with the other opposition parties, had previously refused to support it until concerns about the coalition's controversial Press Code were addressed.

So when parliament passed the Press Code on April 9 without the opposition's amendments, the opposition hoped to unify in order to delay ratification of the treaty.

The governing coalition – Smer, the Movement for a Democratic Slovakia (HZDS) and the Slovak National Party (SNS) – needed the backing of at least five

opposition MPs because a treaty requires the support of a three-fifths majority of parliament, or 90 votes. The coalition only has 85 votes.

With the SMK's help, the treaty received 103 votes in favour, five against, and one abstention. The MPs who voted against it were mostly former members of the opposition Christian Democratic Movement (KDH). MPs from the KDH and parliament's strongest opposition party, the Slovak Democratic and Christian Union (SDKÚ), refused to take part.

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## Tunnelling the tunnel

Police charge 10 people in Branisko tunnel case

BY ĽUBA LESNÁ AND JANA LIPTÁKOVÁ  
*Spectator staff*

THE SAGA surrounding construction of the most expensive highway tunnel in Slovakia's history, at Branisko, could end in court. A Slovak investigator, in cooperation with Swiss police, has now charged 10 individuals with financial crimes in connection with the tunnel's construction.

Allegations that the Branisko tunnel project was 'tunnelled', i.e. siphoned of funds, by senior managers at the Slovak Road Administration (SSC) were first made not by police, but by Prime Minister Robert Fico during a visit to Switzerland.

"The investigation by the Swiss Police discovered substantial information about how the Branisko tunnel was tunnelled in Slovakia," Fico told journalists, and continued: "On April 1, a suit was filed against a large number of people, top officials at the SSC during the previous [government's] term, for grave financial crimes."

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## Trouble around land restitutions

Former economy minister preparing to develop 45-hectare site

BY TOM NICHOLSON  
*Spectator staff*

MARTA Hykanfková, a 76-year-old retiree living in the small town of Nové Mesto nad Váhom in western Slovakia, has proven to be a boon for current and former Slovak politicians looking to buy land restituted from the Slovak Land Fund.

In 1997, Hykanfková sold thousands of square metres of vineyards she had recovered through restitution in the Nové Mesto district of Bratislava to lawyer Anna Čukanová, who later sold 800 square

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# New law tackles retail chains

Law 'nonsense' say large retailers, but producers are happy

BY BEATA BALOGOVÁ  
*Spectator staff*

SLOVAKIA now has a law that will allow the authorities to keep a tighter grip on retail chains while also aiming to shelter suppliers from the power of large purchasers.

The government of Robert Fico described the legislation, which will become effective as of January 2009, an effective tool to "eliminate inapt conditions" in the relationship between suppliers

and large purchasers. The Ministry of Economy tailored the legislation in response to the concerns of suppliers, who felt significantly disadvantaged by their relationship with retail chains.

However, retail chains argue that the legislation is one-sided, protecting only suppliers. According to observers, while the aim of the legislation might be legitimate the means used to achieve it are controversial.

The legislation will regulate the way contracts are concluded between retailers and suppliers, discount practices, and the return or exchange of goods to suppliers at their own cost.

The law in fact applies to the sale of products or services to end-consumers at prices lower than their production cost or the

purchase price for which the goods were supplied to the retailer. The new law prohibits this practice in principle, though prices may still be trimmed on the basis of a specific agreement between the supplier and the retailer. The bill also limits the fees that retail chains can charge for stocking a product, its placement in a specific position in stores, or for other marketing costs.

The bill also caps cash and non-cash fees demanded from suppliers to cover the commercial activities of the retailer at 3 percent of the annual sales of the supplied goods to individual retailers per calendar year, according to the SITA newswire.

Retail chains could be fined up to Sk10 million for violating the regulations.

"The law is definitely an asset, since retail chains have been dominant," said Dušan Janiček deputy chairman of the Slovak Agriculture and Food Chamber, a suppliers' organisation, which has been calling for such legislation.

The law was necessary because, as things stand, once retail chains and suppliers agree on a price, suppliers face having to pay a number of additional fees, which can reach 4-19 percent of their revenues, Janiček told *The Slovak Spectator*.

"For example, they have had to pay for music [in stores], advertising and various marketing activities," Janiček said. "After the price had been negotiated, the suppliers often kept receiving invoices for things they did not want but had to pay for because these deals were part of the 'agreed-on conditions'."

Members of the chamber, who are food producers, sell 70 percent of their products through retail chains, said Janiček, adding that this trend will continue and the producers are therefore vulnerable. The retail chains are able to use the situation very cleverly to their own benefit, which is sometimes to the disadvantage of the consumer, he said.

"When there was a shortage of milk in Europe, for example in Germany, the retail chains immediately increased the price [to consumers] but continued to buy milk from suppliers at an unchanged price," Janiček told *The Slovak Spectator*.

According to Janiček, it was simply dictatorship by the

see CHAIN page 4

SELECT FOREX RATES  
SK benchmark as of April 18

CANADA	CAD	20.88	HUNGARY	(100) HUF	12.78
CZECH REP.	CZK	1.30	JAPAN	(100) JPY	19.91
EUROZONE	EUR	32.89	POLAND	PLN	8.47
GREAT BRITAIN	GBP	40.41	USA	USD	20.41



BUSINESS *in short*

## Inflation rises again, but doesn't threaten euro

INFLATION in Slovakia has accelerated again, but its growth should not prevent the country from adopting the European single currency, the *Sme* daily reported. But some analysts think that the rise will increase doubts about whether Slovakia will be able to keep inflation low following admission to the eurozone.

In March, inflation rose by 4.2 percent year-on-year, according to the country's national methodology. However, for adoption of the euro the so-called harmonised inflation rate, a European standard of measurement, is used. Its average for the whole year was estimated to be 2.2 percent.

"This should be safely below the Maastricht criterion, which is estimated to be above 3 percent," Jaromír Šindel, analyst for the Czech Republic and Slovakia at Citibank Europe, told the SITA newswire, according to *Sme*.

Analysts, however, say that the continuing rise in prices might cast doubt on the sustainability of low inflation.

In March, the cost of heating went up by 1.3 percent year-on-year, boosting the growth in consumer prices. Food prices rose by 0.3 percent and property rental rates by 0.7 percent.

## Cost of diesel in Slovakia rises to record level

THE PRICE of diesel in Slovakia has increased to almost Sk42 per litre, marking an all-time high. In spite of this Slovak diesel remains the cheapest in Central Europe, the *Sme* daily reported.

According to Natankuj.sk, which monitors motor fuel prices, the average price of diesel as of April 15 had increased by Sk0.30 per litre to between Sk41.80 and Sk41.90 per litre. Petrol prices remained unchanged and the average price of 95-octane natural petrol is below Sk39.30 per litre.

High crude-oil prices on the global market and the drop in heating oil supplies in the United States are behind what is already the fourth increase in the diesel price in Slovakia this year.

"Diesel prices on the Rotterdam exchange are again breaking records, which is also reflected in individual countries of the European Union (EU)," the SITA newswire reported, as quoted by the website.

Despite this, the price of diesel before taxes in Slovakia is among the lowest in the EU. As of April 7, Slovakia, with an average diesel price before taxes of Sk20.37 per litre, was sixth cheapest in the EU. Bulgaria had the lowest prices with a litre of diesel costing Sk1.49 less.

Compared with other Visegrad Group countries and Austria, Slovakia has the lowest pre-tax diesel price, followed by Austria where diesel is Sk0.15 more expensive. Petrol prices in Slovakia have not changed in six weeks.

"We expect 95-octane natural petrol in Slovakia to exceed Sk40 per litre as the summer motoring season approaches," concluded the portal.

## Slovakia is a carmaking world power

CAR MAKERS' determination to exhibit their best cars in Slovakia confirms the country's position as a world power in car making, according to a report in the *Hospodárske Noviny* financial daily. The most prominent car show in Slovakia, the Bratislavský Autosolón, opened its doors on April 16. Twenty-seven carmakers exhibited 63 new or upgraded models at the five-day show in the capital.

This year the show features luxury cars, with Cadillac, Corvette, Maybach, Spyker and Wiesmann exhibiting some of their models for the first time in Slovakia.

There were also premieres from carmakers with plants in Slovakia. Kia presented its new model, the pro\_ceed, Volkswagen the Passat CC, and Peugeot introduced a number of models including the 308 SW.

Also, Škoda has announced an offensive to recover some of the Slovak market share it has lost. The Czech company, which is part of the Volkswagen group, wants to sell more than 20,000 new cars here this year. Last year, the carmaker, which is still the most popular in Slovakia, sold about 18,000 units, according to the Automotive Industry Association.

## Huge investments anticipated in Piešťany

AFTER multi-billion crown investments here by carmakers and electronics manufacturers, the Slovak tourism industry can now look forward to some hefty injections.

Piešťany, Slovakia's leading spa and well-being centre, will receive investments exceeding Sk32 billion, i.e. equal to the amount invested in the construction of the PSA car plant in Trnava or the Kia factory near Žilina, the *Hospodárske Noviny* financial daily reported.

The Piešťany city office informed the daily that the investment should be completed by the end of 2012.

A new international golf club would be the most extensive project. Katex, a Russian company, will invest Sk7 billion in the 27-hole course close to the village of Lúka. Slovak developer Iuris Group will build a complex of hotels, casinos and shopping malls for Sk7.7 billion at the top of the Červená skala hill. And a Saudi prince, Abdul Aziz Meteb bin Abdul Aziz Al-Saud, confirming Piešťany's reputation as a popular destination for Arabs, plans to build a new spa complex including treatment facilities, doctors' offices and a hotel for Sk3 billion in nearby Moravany.

As yet unidentified investors plan to invest an additional Sk10 billion in the biggest wellness centre in Central Europe, as well as in the facilities of the town itself, including modernisation of the local airport.

Compiled by Spectator staff from press reports

## Restitution impasse continues

## Tenants welcome limited rent rise, owners unmoved

BY BEATA BALOGVÁ  
Spectator staff

THE FINANCE Ministry is proposing a new solution to a problem which has long kept two groups in Slovak society deadlocked: the owners of property returned under the post-communism restitution laws, and the tenants who still live in their property.

The ministry proposes a 15-percent hike in the regulated rents which tenants now pay to the original owners, whose property was restored following seizure under the former regime. Once the proposal is approved by the government, tenants will be charged higher rents as of May, regardless of who is the owner of the blocks in which they live.

Earlier this year the Fico government said that it would keep regulating the rents beyond the end of 2008.

The renters, mostly older inhabitants who argue that having to pay the full market rates would force them onto the street, say that the 15-percent hike is an acceptable solution; but according to property owners, it's merely a cosmetic change and will only serve to extend the agony of capped rental payments.

The state originally capped the rents in 2003 as compensation for



■ Tenants of restored properties don't want to pay market rents.

the tenants, who do not enjoy the right to buy the properties in which they live (unlike other former tenants of state housing). But the owners say this makes it impossible for them to invest in reconstruction or any other kind of development.

"We have to respect the rights of the owners, but the government could not agree to lift completely the regulation of rentals," Prime Minister Robert Fico told news television station TA3 on April 9.

The Finance Ministry has submitted its proposal for interdepartmental review.

Earlier this year, Construction Minister Marian Janušek proposed a gradual deregulation of the rents at a rate of 20 percent a year over five years, during which the government would guarantee substitute housing for pensioners and low-income families. But the Fico cabinet rejected the plan.

"If we do not solve it now, we will have to return to the problem

in a year or two, or in five years," Janušek told public service broadcaster Slovak Television on March 6. "It could well happen that the state will be forced not only to solve the situation, but to pay fines for infringing ownership rights."

Therefore, four ministries - labour, finance, construction and justice - were tasked with drafting a new deregulation plan.

The Finance Ministry now proposes capping monthly rents based on the property's category (i.e. its location and estimated value) and the size of the apartment: tenants living in apartments of the so-called 1st category will pay Sk33.8 per square metre, while for 2nd-category apartments they might be charged a maximum monthly rent of Sk22.6 per square metre. Tenants living in a 3rd-category apartments would pay a maximum of Sk18.10, and Sk11.20 in the 4th category, according to the

## CHAIN: Law might upset a fragile balance, say retailers

Continued from page 1

stronger partner over the weaker one, with retailers dictating conditions. If they were unable to get their money from consumers, they got it from suppliers, making their stores profitable, he added.

Gabriel Csollár chairman of the Board of Directors of COOP Jednota Slovensko, the largest retail chain in Slovakia, said that the law is bad because it one-sidedly protects only one half in the trading relationship, namely the supplier.

"It [the law] is unable to resolve relationships in the market, but instead brings instability to these relationships," Csollár told *The Slovak Spectator*. "It limits contractual freedom and is unable to protect the consumer."

A free market and a healthy competitive environment can best protect the consumer, Csollár said.

According to Csollár, relations between suppliers and large purchasers have developed under new conditions since 1990, during which time the businesses of all participants have had to adjust to a new balance, reached via the functioning of market mechanisms.

"With this law, the government is roughly intruding on this fragile balance, which risks breaking it and might mean it could be only be restored by inflating prices," Csollár said. "The law might also result in a reduction in production by domestic food producers since there will be no interest in signing contracts with Slovak food producers. The availability of Slovak products on the domestic market would drop and they would be replaced by foreign products."

Though the state is not regulating prices, it is regulating private relationships in the market, which can result in inflated prices, he added.

"The law is an economic nonsense and we have to eliminate it," said Csollár.

Oľga Hrnčiarová, corporate affairs manager for Tesco Stores, told *The Slovak Spectator* that her firm has always managed to build good relationships with its business partners and that, thanks to this cooperation, its suppliers have been prospering.

"A law is certainly welcome if it results in business functioning transparently," Hrnčiarová told *The Slovak Spectator*. "However, it is a different issue if a law intervenes in the free market and deforms the business environment and supplier-purchaser relations."

According to Hrnčiarová, the law was not necessary because it has not brought benefits to any of the involved parties.

"In our opinion it goes against the efforts of the European Union, which has been trying to bring down trade barriers," Hrnčiarová said, adding that, naturally, Tesco will respect the law.

Problems resulting from the unbalanced trading position between suppliers and large purchasers such as retail chains were already subject to an existing law - the act on retail chains - which has been repealed by this new legislation, Ondřej Majer, a lawyer with Peterka & Partners Law Offices said.

"The aim of the new legislation can be considered legitimate, but the means that have been used are very controversial and inadequate," Majer told *The Slovak Spectator*. "The concept adopted -

of 'inadequate conditions' as defined in the new legislation - is highly unsuitable."

Due to a high number of crucial legislative errors, it might cause substantial problems in applying the law in practice, not only for authorities enforcing it but also to enterprises in their day-to-day business practices, Majer said.

While the government has declared that the legislation will, in the end, improve conditions for end-consumers, Majer doubts that it will fulfil this aspiration.

"It is more likely that the new legislation will have adverse effects on consumers since it may increase retail prices," Majer said.

According to Majer, the previous legislation, the act on retail chains, was widely considered ineffective and unable to deter big market players from benefiting from their market power, to the detriment of small and insufficiently well-organised suppliers.

"It is questionable whether the new act will be more successful," he told *The Slovak Spectator*. "It is possible that it will bring more economic disadvantages, with substantial problems in its practical application, than advantages in the form of real improvement in the position of small suppliers."

The new legislation, in contrast to the former, does not concern only the abuse of market power by large retail chains, but can be applied to any purchaser. The reason for this change is probably the position of the European Commission, which has declared in the past that legislation focusing only on retail chains might be regarded as discriminatory, Majer said.

"The problem is that where the former legislation was considered to be very general and vague but focused only on large retail chains,

SITA newswire. If the proposal goes through, tenants will also see appearing on their bills an annual standing charge for storage rooms, and gas, electricity and water utilities.

Kristián Straka of the Right to Housing civil association, which represents the tenants, said that the association understands this as an unavoidable step.

"No price hike will ever please citizens," Straka told *The Slovak Spectator*. "But we have been explaining to our members the necessity of accepting this proposal by the Finance Ministry."

However, according to Radoslav Procházka, a lawyer who is representing several owners at the European Court of Human Rights in Strasbourg, the Finance Ministry's proposal is not a real solution to the problem.

"This solution is analogical to putting a band aid on an open fracture," Procházka told *The Slovak Spectator*.

The basic problem is that the state obliges private individuals by law to contribute to the housing of other private individuals, said Procházka.

"This proposal in fact means that they will contribute by a few tens of crowns less," Procházka said.

For Straka the important point is that the state will continue regulating rents until it finds a better solution.

"It is a temporary solution giving the state time to prepare

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the new legislation is explicit and casuistic but may be applied to almost all relationships between a supplier and a purchaser, not only to retail chains," Majer said. "The only criterion is the existence of 'economic dependence', the definition of which is extremely vague, even misleading."

According to Majer, the new act may be end up being applied, for example, even to small purchasers who do not have substantial market power.

As far as the legislation of other countries pertaining to the dynamics of supplier-large purchaser relationships is concerned, Majer said that European competition rules, as well as the national rules of different EU member states, prohibit the abuse of dominance.

"The problem is that large retail chains, although they have strong market power, cannot be considered to have a dominant position since there are always several purchasers in the relevant market, none of whom have a dominant position," Majer said.

For this reason legislation concerning the abuse of market power or economic dependence exists in various European states. A quite elaborate concept of abuse of economic dependence has existed in France, in its Commercial Code, since the 1990s and is often enforced by the public authorities, said Majer.

"Analogous concepts exist in Germany, the United Kingdom or Hungary," Majer told *The Slovak Spectator*. "By contrast, in the Czech Republic numerous attempts to introduce such legislation, prohibiting the abuse of economic dependence, have always failed. Nonetheless, these rules are much more elaborate than the new Slovak legislation and do not contain so many potential pitfalls."