

## **Poland – Overview of the Information Technology and Telecommunications Market**

### **Part 1—Market Overview**

With over 38 million people, 2006 GDP growth of 5.8%, a solid economic outlook for the next few years and a strong record of democracy, Poland offers a good potential for American companies in most industry sectors. Poland is the sixth largest EU market and, after joining the EU in May 2004, has become an attractive gateway to Europe for an increasing number of American suppliers. At the same time Poland maintains strong ties with the United States and welcomes American companies and products.

Despite positive indicators, including a 1.2% rate of inflation and a 5.2% long-term interest rate, Poland is not expected to adopt the Euro until 2010 at the earliest. The present government simply has not made this a priority. The Polish currency, the Zloty, appreciated steadily against the dollar in 2006 due to the generally positive state of the economy, the favorable investment climate across the Central European region and U.S. investors' increased interest in emerging markets.

The telecommunications and information technology sectors are open to U.S. companies and, in general, offer the same regulatory environment as traditional European markets, including the CE mark regulatory regime, custom duties and taxes. There are also no barriers to electronic commerce activities in Poland.

The Office of Electronic Communications (UKE), established in 2006, maintains all market regulatory functions for telecommunications ([www.uke.gov.pl](http://www.uke.gov.pl)) and the Ministry of Transport is in charge of overall telecom policy issues ([www.mt.gov.pl](http://www.mt.gov.pl)). The Ministry of Interior and Administration (<http://www.mswia.gov.pl>) oversees IT/telecom development in the public sector. The Ministry of Economy (<http://www.mgip.gov.pl>) and the Ministry of Regional Development ([www.mrr.gov.pl](http://www.mrr.gov.pl)) oversee the use of EU funding, which are administered by appointed institutions responsible for specific programs.

The government is currently preparing amendments to the Telecommunications Law of September 2004 to fully reflect the new EU Directive on electronics communications (2006/24/WE) and to streamline the regulatory mechanisms available to UKE, the Regulator. The amendments are expected to benefit consumers and non-dominant operators. Telekomunikacja Polska S.A. (TPSA), the former monopoly, remains a major player in all segments of the market.

### **Part 2—The Marketplace for Business Process Technology**

At the end of 2005, the Polish software market was valued at \$1.1 billion while computer services were estimated at \$1.6 billion. Software and services are the fastest developing segments in the overall Information Technology sector.

Applications software currently represents 52% of the market. The most popular business application software sold includes Enterprise Resource Planning (ERP), Customer Relationship Management (CRM), document and content management and e-commerce. Public sector investments are driven by the development of e-government services required by the European Union.

As middle size companies have become the major group of buyers of ERP applications, the local developers who were traditional suppliers for this segment of the market, are facing growing competition from international vendors offering integrated solutions.

The awareness of IT security issues in fast developing e-commerce, especially e-banking, creates great demand for information and transaction security products and services. High-end users, especially from the financial/banking sector, telecommunications and large enterprises,

usually invest in the latest, enhanced security solutions. Individuals and small companies still need to make up for years of neglected investments in IT security tools. While the security segment is still small, it shows very strong revenue growth rate. The market for data storage equipment is also driven by the internet and e-commerce development and keeps increasing at over 10% a year.

### **Part 3—The Marketplace for Communications Technology**

The telecommunications market was completely liberalized in 2002 and there are no restrictions on foreign investments across the telecommunications sector. In most cases licensing has been replaced by a simplified registration procedure at a nominal fee. Poland continues to strictly regulate the use of its frequency spectrum with open tenders and licensing for the use of restricted frequencies.

In 2006, UKE instituted number portability, in-country roaming for cellular operators, new regulations for the access to local loop and approved a new framework offer for interconnection. As a result, at the end of 2006, prices for fixed-to-cellular connections dropped significantly. The UKE's plans for stimulating competitiveness in all market segments in 2007 include the introduction of more effective market regulations for unbundling local loop, facilitating bitstream access and market entry of mobile virtual operators. Despite many achievements, Poland's telecommunications sector lags behind most European countries. In late 2006, the EU initiated proceedings against Poland for failures in the implementation of the country's 112 rescue system and also questioned Poland's interpretation of the Telecom Access Directive.

UKE is currently developing its National Strategy for the Frequency Market, providing for digitalization of radio-diffusion, harmonization of the use of frequencies, new frequencies for commercial use, and introduction of new frequency management procedures. In late 2006, UKE cancelled tenders for frequency reservation for 3.6-3.8 GHz frequencies in 317 local counties. New tenders for these frequencies are expected in early 2007. UKE also expects additional tenders for GSM licenses.

At the end of 2005, Poland's telecommunications market was estimated at \$15.5 billion, which included \$12.3 billion for telecommunications services, \$1.86 billion for equipment and \$900 million for installation services. All fixed line operators are struggling to maintain their margins through introducing new services, including triple-play, to make up for diminishing income from traditional voice services.

Telekomunikacja Polska S.A. (TPSA), the former monopoly, remains a major player in all segments of the market. Privatized with France Telecom as a strategic investor, TPSA still holds over 80% of fixed-line telecommunications services and owns a majority of the telecommunications infrastructure. Fixed line voice services currently claim 12 million users, over 0.5 million less than last year.

Cellular telecommunications is the most competitive segment of voice services. There are almost 36 million active cell phone cards, 70% of users are in the pre-paid segment. All cellular operators offer services in GSM and DCS standards as well as UMTS, which is still limited in terms of territory and scope of services. A new cellular operator, named P4, is expected to enter the market in the first half of 2007. In addition, there are over 100 registered virtual operators (MVNO) but only a limited number of them have so far launched their services.

As voice services are increasingly available from cable television operators and Internet service providers, over the last two years the market has become quite competitive. VoIP has become very popular and by mid 2006 some 41% of Polish internet users were estimated to use voice services, mainly computer-to-computer free of charge services such, such as Skype and

Gadu-Gadu. Also, computer-to-fixed line and computer-to-mobile communication, which became available in 2005, is quickly gaining popularity.

There are over 14 million Internet users in Poland, approximately 37% of the population. Some 25% of Internet users shop for products or services regularly and over 50% claim to have on-line purchases at random. The value of e-commerce B2C transactions represents only 1% of retail turnover in Poland and is still in the early stage of development. Nevertheless, the recent opening of Polish e-Bay and Google operations and Microsoft's decision to enhance its Polish language portal are seen as a confirmation of increased business opportunities in this area.

#### **Part 4—The Marketplace for Digital Equipment & Systems**

The market for digital consumer equipment and systems has been growing significantly as the result of an improving economy, EU membership, continuing IT education and general availability of new technologies. The demand for digital photography and supplies have grown two-fold in 2005 and preliminary estimates for 2006 indicate 2.5 times' growth. Most Polish consumers are determined to buy consumer electronics for the lowest possible price. The demand for middle class and high-end equipment is quite limited.

There are growing opportunities for high-end digital equipment, especially audio and visual, purchased by the financial and banking sector, and the technology sector.

#### **Part 5—Future Prospects in this Market**

Technology convergence and digitalization are the dominant trends in Poland, directly reflecting new market opportunities for suppliers of products and services.

Even though Poland continues to spend only 2.0% of its GDP on IT investments, the market potential is good due to additional funds available through EU programs. Poland's access to EU funds will further stimulate growth in coming years to support needed infrastructure development as well as the competitiveness of Polish businesses.

The best prospects in the Polish telecommunications sector are the development of mobile telephony and the content for mobile phones. There are good prospects for all kinds of wireless technologies, especially the equipment in the 2.4 GHz and 5.4 GHz standards, which do not require a license (there are some limits on the equipment type and range).

Best prospects for American suppliers exist in all segments of the Information Technology market and include all kinds of specialized software, internet and e-commerce solutions and the security area. Good prospects also include networking equipment and computers, storage systems, components and peripherals.

American firms face strong competition both from European companies as well as suppliers of cheap products from the Far East. The importance of a direct presence in Poland cannot be overestimated. U.S. firms can also increase their competitive edge by cultivating the market, committing to strong after-sales service and support and offering pricing and financial terms consistent with Polish industry standards. The most effective means of selling in Poland is through a distributor who maintains relationships with dealers and systems integrators. Polish partners expect that vendors will share the market entry cost and actively support them in marketing campaigns.

#### **Part 6—Important USDOC Resources in this Market**

The U.S. Commercial Service provides American exporters with general information on Poland and its business climate, market research reports on the industry sectors and selected segments of industries, identified as best prospects. Our commercial staff is available for counseling on company specific interests. We work with other U.S. Department of Commerce and state offices and industry organizations on Trade Missions of American companies to Poland. We also assist U.S. companies through several fee-based services, such as Gold Key Matching Service, International Partner Search and Single Company promotion.

Please see <http://www.buyusa.gov/poland/en/> for detailed information on our activities and programs.