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“Ruch” SA, the distributor.

Part 1: Characterisation and activity assessment between 1990–1996

KEY WORDS

distribution, retail sale, press system, distribution market, Polish media system, “Ruch” SA

ABSTRACT

The article includes a characterisation and activity assessment of the press distributor “Ruch” SA during the first phase of its existence, begun with a decision by the Liquidation Committee regarding its predecessor, the RSW “Prasa–Książka–Ruch” distributor. The company was first transferred over to the Industry Ministry, nationalized and then privatized, however, the Minister of Treasury in 1997 invalidated the bid for its sale. The author presents the firm’s difficult legal, socio-political, logistic and organizational situation as well as efforts to better its position, via a new strategy put into life between 1992–1994. At that time, “Ruch” SA remained to be the dominant company on the distribution market, nevertheless, as a result of competitors’ aggressive activity, its position on the market continues to diminish.

Officially since 1989, in fact since 1990 until present day, the distribution market in Poland is comprised of two types of companies 1) “Ruch” SA – the sole-proprietor joint stock company of the State Treasury created after the transformation of the state owned distributor RSW “Prasa–Książka–Ruch” (Workers’ Cooperative Publishing) liquidated based on the Act from March 22, 1990, 2) a group of several dozen private companies established after the act on private enterprise took effect on December 23, 1988, after the liquidation of RSW “Prasa–Książka–Ruch”, after changes in regulation on press activity (the introduction of the registration system) and after the entry of foreign capital onto the Polish market. In reality, these are two entirely different and separate although complementary sectors, both in form and in scope. From the start, they have been competing with each for distribution market share.

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After months of discussion on the future of the state owned distributor RSW “Prasa–Książka–Ruch”, the Liquidation Committee decided to ‘hand it over’ to the Industry Ministry. Meanwhile, the Ministry, based on its own ordinance nr 177/Org./91 from April 29, 1991

created a state owned company Przedsiębiorstwo Kolportażowo-Handlowe “Ruch” (PKH “Ruch”) which began its activity on May 1, 1991. It can be said that this way history turned a complete circle, hence nationalization of the distributor took place once again, just like in the 1950s. However, it should be noted that this time nationalization took place under entirely different legal conditions and had little to do with monopoly.

The ordinance states that the newly set up company is to take over all property of its predecessor (according to the books as of April 30, 1991) as delineated by the Liquidation Committee and stated in the property development plan of RSW “Prasa–Książka–Ruch” (including 18 distribution companies, Press Publishing Distribution Centre, Trade Centre, and International Book and Press Club Agency, excluding Military Distribution Centre), is responsible for its obligations and is to take over its liabilities¹. The ordinance strictly delineates PKH “Ruch” spheres of activity which is to include foreign and domestic press distribution, to run international book and press clubs and to provide services. It can be said that its different types of activities have become equally important, which seems imperative in the context of another regulation from the ordinance which states that, “the company will carry out its activity based on rational rules of self financing and accounting”.

A notary agreement on the free of charge transfer of RSW “Prasa–Książka–Ruch” property between its Liquidation Committee (represented by the chairman Kazimierz Strzyczkowski and committee member Krzysztof Poklewski-Kozieł) and the Ministry of Industry and Trade was signed on October 14, 1991. Several months later, the Minister issued another ordinance (nr. 17a/Org./92) based on which PKH “Ruch” received (free of charge) RSW’s real estate property. The land was transferred on perpetual usufruct basis and the fixed property became the property of PHK “Ruch”. Additionally, the company received 21 300 kiosks indispensable, as stated by the ordinance, to the firm’s distribution activity².

On April 15, 1992, PKH “Ruch” was put on a commercial basis and became the sole-proprietor joint stock company of the State Treasury. According to the 1st Act from July 13, 1990 on privatization, State Treasury companies were to be quickly privatized, within a period of two years. It soon became obvious, though, that the future of the company was to be decided by politicians currently in government. It turned out, as one journalist noted, that “Ruch” SA is, “a company very important to politicians or they would think so [...]. They think that by controlling “Ruch” they can influence press distribution and this way, indirectly,

¹ Cf: “Monitor Polski” 1990, No. 3, pos. 13.

² The ordinance went into effect on the day it was signed (January 20, 1992), legally enforceable since May 1, 1992.

press content. Over the last 20 years or so, with the change in government also changes the company's executive board and board of directors"³.

Since the new beginning, the company has been in a difficult situation, facing acute but deserved criticism from the publishers demanding greater efficiency and effectiveness in press distribution. Also readers, domestically and abroad, have been complaining about out of order kiosks, late deliveries, inefficient subscription service, etc. There were numerous letters written on the subject and published in daily press.

The greatest difficulties stem from the lack of ability to adapt to new social and market conditions. Some of these were pointed out by the company's new president Włodzimierz Słowiński who stated that the firm's ineffectiveness is a result of its structural backwardness. "Ruch" is structured like a company from the 1960s. Back then, retail sale was organized for several national, a dozen or so regional dailies and a few magazines. Today, newsstands are full of all kinds of newspapers and magazines. In the past, returns were 2–3%, now they range up to 50%⁴. It took a long time and effort to sort out organizational matters and to create new rules of functioning (i.e. on cooperation with newsagents), etc. It had to be done from the bottom up. What had to be carried out, as Słowiński put it, "is elementary inventorying of the firm's property. There was 'financial and legal chaos'. For example, it turned out that there were over 60 different types of lease agreements – something absolutely crazy from a legal point of view! A new kind of agreement was prepared which treats newsstands tenants as independent private businessmen but makes them obliged to use our distribution services [...]. Tenants say, let the market decide. Ok, I agree with that, let the market but not the tenant decide. If we are dealing with a low circulation magazine, 50-60 000 copies, it does not pay off for him to take 2–3 copies. But when a customer asks about this magazine, they do not have it. We want to have influence on distribution to newsstands and in exchange we do not charge for leasing them. We allow newsagents to run their own businesses but we want them to keep a record of their turnover. What we have a problem with is, for example, illegal sales of smuggled cigarettes."

In the same interview, Słowiński mentioned one other imperative issue – that of the problem with the company's computerization, necessary for effective communication within the firm regarding, for instance, the level of sales of different newspapers and, in consequence, quick reaction and adjustment of deliveries. Computerization turned out to be a

³ W. Gadowski, *Coraz mniej monopolu*, "Manager Magazyn" 1996, No. 9.

⁴ G. Musiałek, *Ruszamy do przodu. Rozmowa z Włodzimierzem Słowińskim, prezesem „Ruch” SA*, "Przegląd Tygodniowy" 1992, No. 50.

difficult task because, as Słowiński noted, “we had to build our IT programme from scratch. Initially, we thought that it would be enough to buy a press distribution programme available on the market and adapt it to our needs. But it turns out that every European country has a different distribution system, often historically conditioned. The “Ruch” network is the largest in Europe; it is specifically structured and there really is no need to change its structure, although it should be reformed and this is what we are working on”.

One more thing, imperative to note was the general negative atmosphere regarding “Ruch”, as Słowiński stated, “We are aware of people’s negative attitudes toward “Ruch”. Recently, I heard that we are a bastion of communism. This is absurd! What we need is a little approval and acceptance so that we can focus on our work and carry out all the changes without which “Ruch” will not be able to come out of stagnation.” From the perspective of the last dozen or so years, it is apparent that the negative political climate is a factor which may be the most destructive to the firm.

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It can be said that the first stage of the company’s activity ran up until 1996. Its detailed characterization and political assessment was presented by Wiesław Kaczmarek, the minister of Privatization on November 9, 1995 during a plenary session of Sejm. He stated that at that time within the company’s organizational structure existent were, aside from the centre in Warsaw, 16 other regional departments (in Bydgoszcz, Częstochowa, Gdańsk, Kraków, Lublin, Łódź, Opole, Poznań, Rzeszów, Zielona Góra, etc.). In 1994, “Ruch” employed 15 717 people, including 4233 as administrative staff, 3681 – in press warehousing and shipping, 1455 – in wholesale and warehousing of products other than the press, and 5348 – in newsstands⁵.

According to Kaczmarek, between 1992–1994, “the company’s basic goal, since the beginning, was to defend its position on the market, in view of growing competition in two fields – in the sphere of press distribution and in sales of other than the press products. This was reflected in different aspects of the company’s functioning; in organizational changes, changes in the finance system and information flow, and changes in network strategy and purchase policy. As far as strategy, forecasted was more turnover from press sales over other products, however increasing competition on the press market lead to lower profits from the

⁵ Cf: Shorthand minutes from the plenary session of Sejm, 2nd term in office, 64 session, day 2, 09.11.1995, number 10 Information by Minister of Privatization Transformation on the privatization of “Ruch” SA., <http://orka2.sejm.gov.pl/Debata2.nsf> [accessed 11.07.2010].

press. In order to reverse this negative trend, means were taken to streamline press turnover. Changes were introduced regarding settling accounts with publishers, press shipping was mechanized and logistics was improved”⁶.

There are numerous examples of decisions taken then to make the company function more effectively. One was the introduction, in mid 1993, of a new system of settling accounts with publishers. Now it was possible to account for every single press title separately, unlike combined accounting from before. The new system of press sales, according to the minister, was more effective because, for example, there was no more taking advance payments from newsagents, instead accounts were settled after the sales were complete. This also improved the relations between publishers and newsagents. It was possible now to see real sales of different press titles. This information could then be relayed to publishers who could adjust circulation accordingly. Other introduced changes was an active policy of commission negotiation with publishers as well as intensification of press subscription promotion. At that time, as part of bettering the company’s functioning, “introduced was mechanization of press wholesale (central shipping point in Warsaw, mechanization of Lodz, Szczecin and Poznan shipping)”, and “as far as organizational restructuring limited was the number of shipping centres (from 139 to 108 in 1994)”⁷.

Additionally, introduced were numerous changes regarding trade of other than the press consumer goods in order to increase profitability and to maintain the company’s position on the market as a distributor (mostly regarding cigarettes and public transport tickets). Began was the process of building a data base established in order to assess the functioning of different outlets. Those unable to meet minimum sales limits and without hope for increasing them in the future were closed down (in 1994, the number of wholesalers decreased from 265 to 197).

At that time, as the minister noted, various marketing actions took place, i.e. “Ruch” wholesale and retail customers were researched in order to obtain a list of desirable characteristics of such places and to find out what motivates them to seek “Ruch” services. Also, “action was taken to make the company’s wholesalers more attractive to newsagents who lease kiosks. Action was also taken to optimize supply, to maximize transaction and to increase the frequency of orders placed in order to maximize profits, ensure continuity of deliveries and reduce incurred costs. Negotiations with distributors were undertaken in order

⁶ Ibidem.

⁷ Ibidem.

to optimize provisions of purchases and to make the company price competitive. With time, the obtained agreement conditions with distributors were becoming more profitable”⁸.

Another imperative element was action taken so as to popularize the company’s new logo and to build a positive image of “Ruch” SA as a brand. The majority of the company’s administrative and trade units obtained the new logo which gradually became more recognizable and positively associated by customers. Moreover, established were the so called ‘press salons’ considered to be the best press retail sale outlets and the pride of “Ruch”.

As part of the strategy carried out between 1992–1994, the company took action to make wholesale sales more effective and profitable, although, no modern form of sales were introduced, due to their high costliness, and maintained were traditional systems. Also, action was taken to re-organize (to make more profitable and to increase rotation) the range of offered products, both wholesale and retail. Attempts were made to introduce a new group of products - high profitability foodstuffs, mainly sweets and non-alcoholic drinks.

In his assessment, Kaczmarek also mentioned the company’s various difficulties, shortcomings and weaknesses in functioning. The worst, in his opinion, “is the overly extensive and elaborate organizational structure” inherited from old RSW “Prasa–Książka–Ruch”, making effective management impossible. He added that in order to reform it, “initiated was a process of gradual closing down of some regional administrative units as well as field outlets. As of February 1, 1993, there were 25 departments in the company (on January 1, 1993 – 26), including 141 units and field offices. As of December 31, 1994, there were 16 departments, 41 units and 37 field offices. This totals up to 78 lower level organizational units. The action taken resulted in the elimination of some of these mid level management units. Organizational consolidation, in accordance with strategic planning, was to facilitate the building of an integrated IT system, imperative to the firm’s effective functioning. Computerization of the company began in 1993”⁹.

One of the company’s most important strategic decisions taken in order to optimize its activity, carried out since 1992, was re-organizing its real estate matters¹⁰. Another imperative

⁸ Ibidem.

⁹ Ibidem.

¹⁰It should be noted that the process of straightening out real estate matters is still unfinished. To prove it, there is information about it, from time to time, in the press, such as on the activities of the State Treasury. For example, in early 2009, in exchange for shares in the company the State Treasury announced the right to property regarding 21 fixed properties worth about 18.9 mln which enabled it to issue 2.33 mln shares. It became the property of the State Treasury, increasing its percentage of shares from 55.07% to 56.86%. Earlier, this property was outside the company’s records. It should be emphasized that „Ruch” SA management made two attempts to regulate the legal status of this fixed property, first in July 2007 and then in January 2008 but both time these issues were taken off the agenda at the State Treasury Ministry, see “Rzeczpospolita” 2009, No. 76 (31.03).

action was gradual reduction of employees (down from 22 000 in April 1992 to 19 400 in December 1993 and to 15 700 at the end of 1994). An equally key aspect of this strategy at the time was a change in policy toward newsagents. Initially, cooperation between the company and newsagents was regulated by agency-provision agreements which were gradually replaced by employment contracts. Also, common were lease agreements with newsagents; they became dominant in many field branches and in some cases they were the only type of agreement signed with newsagents. This created a situation in which all “Ruch” owned retail sale outlets were selling delineated circulation press, while 25% of them were obliged to also buy other products from the company.

Since the beginning of its existence, “Ruch” SA, similarly to RSW “Prasa–Książka–Ruch”, was engaged in selling of not just press (newspapers, magazines) and other publishing (books, calendars) but also other daily consumer goods, the so-called other than the press goods such as tobacco, stationery, cosmetics/detergents/hygienic products and various foodstuffs (so called impulse purchases). Since 1994, noted has been, regarding both groups of products, an increase in sales in comparison to 1993; as far as press by 20% and the others – by about 17%. In terms of “Ruch” SA total sales, in 1993 the press comprised 51% of its sales while in 1994 – 51.6%.

According to its statute, the basic rule of “Ruch” SA distribution activity is to sell all press titles legally published or all those which are registered. What takes place are distribution agreements signed between publishers and one of the company’s branches. Each agreement can only regard one press title and can be signed with one branch of the company separately. Before an agreement is signed, its conditions must be accepted by “Ruch” SA Distribution Management Bureau.

In 1994, distribution agreements were signed with publishers which are part of the National Publishers Association as well as publishers which are members of the Press Publishers Union. Overall, it totaled a few hundred publishers. All in all, the total value of sales of 100 largest publishers comprised 86.83% of total sales, of 50 biggest – 69.58% and 20 biggest – 48.12%. It should also be noted sales of dailies comprised the greatest share of retail sales (52.3%) with lowest average returns at 32.6%. In second place were weeklies at 27.7% and 36.7% correspondingly and in third – monthlies (at 12.4% and 50%). Overall, sales of these three types of press amounted to 92.4% of total press sales.

Kaczmarek’s report also included information on “Ruch” SA subscription services, including dailies and magazines, Polish government dailies and imported magazines. It turned out that between 1992 and 1994 noted was a decrease in subscription sales which was a result

of Polish Post Office terminating its contract with “Ruch” in 1993 as well as other activities from competitive distribution companies and press publishers. One key discouraging factor was the issue of difficult collection of money from subscribers. Hence, the relatively low profits from subscriptions (7–8%) as part of total press sales.

Another key element in the new strategy was improvement of logistics specifically tied to the distribution activity, i.e. determining optimal routes and schedules of press delivery, or guaranteeing transport means for press delivery and returns pick-up. “This activity, as Kaczmarek reported, takes place this way – press is delivered from publishers to “Ruch” SA units based on established schedules by transport means of the administrative branch or the publisher [...], the branch then organizes delivery to retail outlets in its area [...], coordination and operational research of delivery take place mainly at the branches. “Ruch” SA does not have its own transport base and uses the services of other companies. The firm mainly uses car transport, dominant are agreements with private carriers, in the country side often used are public transport means”¹¹.

Growing costs of press delivery to newsagents as well as returns pick-up have forced management to develop a plan for their reduction. This included activity such as 1) negotiation of more favourable agreements with carriers and the end of cooperation with expensive state carriers, 2) more effective use of transport means (especially regarding return freight, 3) change of trans-shipment localization points, 4) lower number of shipping, 5) constant optimization of press circulation numbers regarding wholesale and retail points, 6) putting pressure on publishers to deliver on time and to standardize their packaging, 7) creation of workplaces in logistics.

All of the above organizational and logistics activities were carried out in order to make the company more competitive with a growing number of private distribution companies. It should be noted that within the discussed time period there were about 60 other distribution companies on the market, rather supplementing the activity of “Ruch” SA than being a threat to it. These companies offered in total about 600 press titles, focusing on the most popular ones (with highest readership), with average returns at about 30%. Most of these companies offered anywhere from several dozen up to a couple hundred titles. According to estimates, they delivered press to 11 000 – 13 000 retailers. Additionally, Polish Post Office also sold press around the country but their offer was generally quite limited.

¹¹ Ibidem. Many additional “Ruch” SA transport and logistics difficulties resulted from the administrative reform which took effect on January 1, 1999. Cf. M. Stankiewicz, *Brak logiki logistyki*, “Press” 1999, No. 12.

According to statistics from December 1994, "Ruch" SA possessed 16 331 own retail outlets and serviced 10 033 others, which comprised about 70% of total retail outlets in Poland. As of March 1995, there were about 39 000 total press retail outlets in the country which means that "Ruch" SA market share went down to about 67–68%. It should be noted that a serious threat to the company's position on the market was a series of reprehensible activity by publishers and "Ruch" SA competitors including dishonest tricks such as putting out titles on the market earlier than agreed, newsagents accepting returns from other chains and then returning those to "Ruch" SA, publishers unwilling to decrease circulation of certain titles with high returns, all resulting in the company incurring high transport costs and low profit margins from sales.

As of late 1994, "Ruch" SA market share, based on total press sales, was estimated at about 60%. It should be noted, though, that "Ruch" SA offered the biggest range and quantity of press titles. The competition, in comparison, had a lot less titles and only focused on the most popular ones in a given region. What is more, private distributors offered a large percentage of their press at petrol stations, in grocery stores and in other retailers. The range was limited and included only the most popular titles. Press sales in such retail places are estimated at about 20–25% of sales from a typical newsagent's, mainly due to customer habits and worse exposure conditions. Taking the above into consideration, "Ruch" SA real market share could be estimated at about 70%.

One other thing, Kaczmarek in his report also included that basic principles of "Ruch" SA privatization strategy. He stated that at that time the number of possible solutions or scenarios was very limited, constrained by legal regulation delineating privatization procedures but also the way "Ruch" SA was established as well as its complex organizational structure. He pointed out that the minister's decision from 1992, regarding its transformation into a public company, meant that its shares must be made available to non-government third parties in the process of public sale, as delineated by art. 23 of the Act on privatization of state owned companies or in analogous regulation from the new Act on commercialization and privatization of state owned companies, in case it takes effect before such shares are made available to third parties. Regarding various variants of privatization imperative are: 1) division of the company and privatization of its different parts as a result of the division; 2) creation of a holding structure and its privatization as well as that of its daughter companies (a holding can have a territorial or functional dimension); 3) privatization of "Ruch" SA in its existing legal structure. It was the last option (No. 3) of privatization which the minister chose, after carrying out the appropriate analysis.

It should be noted that “Ruch” SA choice of strategy was influenced by the notion that the company was in need of capital but even more so – of organizational *know-how*. “Such potential, as Kaczmarek pointed out, can only be brought in by a strategic investor from the same industry as “Ruch”. It means that a large percentage of shares [...] should be reserved for the strategic investor. The Ministry does not have anything against selling a large block of shares on the stock exchange market (up to 30%), however, we are of the opinion that it should be done in the second phase, no earlier than 12 months after initial shares have been made available to third parties”¹².

According to the Ministry of Privatization, the reason for such delay was the company’s special public mission (distribution mission) and, hence, during the first phase of privatization, after shares have been made available to third parties, the State Treasury “should keep a majority of shareholding interest, allowing it, if necessary the blocking of unwanted decisions. It would also be advisable to modify the company’s status so that it would include a regulation on the State Treasury right to block decisions, which it sees crucial from the perspective of its interests and the firm’s mission.” Another equally imperative issue was the necessity to regulate the legal status of a large share of “Ruch” SA real estate (ie. only 54% of newsstands had regulated status as far as the land they were on). If not, the Komisja Papierów Wartościowych would not allow the company to enter the stock exchange market.

The Ministry was of the opinion that the State Treasury should keep in possession a considerable percentage of shares and modify the company’s status so that they could continue to have a blocking vote. During the first stage of the company’s activity after privatization it would guarantee meeting of state interests. Additionally, a list of possible potential buyers of shares was drawn up: 1) strategic investor, 2) financial investor, 3) consortium of Polish publishers, 4) employees.

Finally, initial activities were initiated beginning the privatization process. On December 31, 1994, the Ministry of Privatization announced an open tender for an advisory board to carry out, under the Ministry’s supervision, a pre-privatization analysis and the process of putting company shares on the market. The tender was won by Bank Handlowy i Partnerzy law office. After the agreement was signed on March 5, 1995, began the process of pre-privatization analyses including: 1) economic/financial, 2) legal, 3) valuation, 4) creation of information memorandum for potential investors. They also started preparing scenarios for the optimal privatization strategy.

¹² Stenographic report...

It quickly turned out that, mainly as a result of the company's size, the analysis process and straightening out of its property issues would take longer and be more difficult than expected. On September 29, 1995, after the analyses were verified, published were invitations to negotiations in domestic ("Rzeczpospolita") and foreign ("Financial Times") press. Potential investors were invited to purchases no less than 10% of the company's shares.

As of mid October 1995, several offers of purchase were received. The final due date for offers was set for November 27, 1995 and that is also when the information memorandum was made available. It included data estimates regarding the block of shares, proposed pricing, the benefits package, investment obligations and a programme for the company's further development and functioning in the future.

It should be noted that going on at the time were numerous political quarrels about this matter among the ruling SLD-PSL coalition, with PSL being decisively against privatization of "Ruch". Their disapproval successfully discouraged several potential buyers initially interested in the offer. In the end, in May 1996, two final bidders were left. One was the Hachette Distribution Services and Wydawcy Prasy (Press Publishers), established by two largest press publishing associations in Poland – Ogólnopolskie Stowarzyszenie Wydawców and Unia Wydawców Prasy¹³. The other offer was put in by a Polish-Swiss Polinvest consortium, regarding which many journalists were very critical. According to Joanna Kluzik, "it includes Merkur AG, a bed and mattress manufacturer. In 1990, it bought in Switzerland two chains of kiosks. Lately, Merkur AG risked its reputation with domestic publishers. They complain that it is not able to determine real press sales. There are law suits as a result since publishers have incurred financial losses as a result of false information provided. Another partner, Usego-Trimerco, is a famous Swiss wholesaler and retailer. The third company, Placanda, entered into an agreement with "Ruch" in 1990. According to it, for a period of 10 years it has a monopoly for advertising on the roofs of Polish newsstands. The agreement is scandalously unfair to the Polish distributor. New "Ruch" management attempted to back out of the agreement, however, the earlier stipulated fine it would have to pay for breaking the contract turned out to be so high that they decided no to go through with it"¹⁴. Also part of Polinvest was the Polish SPC company, comprised of BIG, Electrim and the publisher Echo Press. "Their input into the consortium, according to Kluzik, was 100 000 zł and connections to SLD. The connections are very valuable; BIG would have never made it on the bank

¹³ The press reported that the Wydawcy Prasy company is also comprised of 67 individual publishers (cf: J. Kluzik, *Ruch w interesie*, "Wprost" 1996, No. 18).

¹⁴ Ibidem.

market if it wasn't for friends from the old PZPR party who deposited large sums of state money in it. Additionally, one of Echo Press owners is Michał Sołowow, who is friends with President (A. Kwasniewski) since old basketball days"¹⁵. It is not a media expert's job to assess or verify these types of accusations but it is without doubt that the earlier mentioned political context, unfavourable from the point of view of "Ruch" SA interests and economic perspectives, was particularly visible.

It should also be noted that other journalists were critical as well of the atmosphere and conditions in which the bidding process was taking place, although officially it had no influence on government decisions or activity. As "Rzeczpospolita" pointed out, "Even though officially government factors and politicians themselves declared that "Ruch" privatization could not take place without publishers, completely other factors were focused on. Money issues were discussed reluctantly and very seldom, aside from comments on the necessity of Polish capital. It was associated with a notion that it would guarantee independence of domestic press, with SLD and PSL politicians particularly liking to stress this point. Some publishers, on the other hand, were of the opinion that the Ministry favoured Polish companies close to SPC, of which at least two, BIG and Electrim, had connections to the ruling coalition"¹⁶.

The discussed in the press ambiguities, doubts and reservations regarding government involvement and stance on the issue resulted in the Polish-Swiss consortium, Polinvest, backing out of the tender. According to Alfred Nowak, "Ruch" board of directors president, this happened because in March 1996 Kaczmarek withdrew from the offer the possibility to purchase a majority of shares at once, instead proposing to strategic investors to first buy minority interest with the option to later purchase the majority, but only after they first realize the investment obligations and the benefits package. As a result of this, "the Swiss deemed that they would not be able to gain control of the company and that was the only option they were interested in. He who wants to make a profit is not going to invest in unprofitable institutions. If they got hold of 51% of shares, they would quickly be able to get 100%"¹⁷.

In this case, it became obvious that the only remaining bidder was the Polish-French consortium – HDS-Wydawcy Prasy, with their offer, made public, of 83 mln USD for 75% of shares and 45 mln USD in increase "Ruch" capital (moreover, they declared to realize the necessary investments worth 155 mln USD). By the way, the press also reported that the

¹⁵ Ibidem.

¹⁶ G. Sieczkowski, A. Błaszczak, *Przeciek sterowany*, "Rzeczpospolita" 1996, No. 207 (5.09).

¹⁷ (Ros), *Szwajcarski koncern Polinvest wycofał się z przetargu*, "Życie Warszawy" 1996, No. 107 (8.05).

consortium offered 85 mln USD for 51% of shares. In December 1996, the Ministry and HDS-Wydawcy Prasy consortium signed an agreement for 83 mln USD for 75% of shares. Additionally, there were also rumours that regarding this purchase the French president, Jacques Chirac, himself supposedly put pressure for the deal to be finalized¹⁸.

In the end, the “Ruch” bid was never finalized. On January 1, 1997, after the Council of Ministers structure was re-organized and the liquidation of the Ministry of Privatization, the privatization process was put within the sphere of competence of the Ministry of State Treasury. Several weeks later, the public was informed that the vice Prime Minister and the Minister of the State Treasury, Mirosław Pietrewicz (PSL), invalidated his predecessor’s decision and the whole tender offer for “Ruch” SA shares. This way, began a new stage in the history of this company’s activity, going on until today. Naturally, it turned out to be much longer and more complicated than expected.

¹⁸ G. Sieczkowski, A. Błaszczak, *Przeciek sterowany...*