

THE ŁÓDŹ ATLAS

Sheet LIV: New industrial investment locations in Łódź as in 2007

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The economic development of Łódź, starting from its medieval corporation, can be divided into several characteristic development stages:

- 1 – rural (1423–1820)
- 2 – planned manufacturing industry development (1820–1940)
- 3 – spontaneous factory development (1840–1914)
- 4 – World War I damage, industrial crisis, and the growth of services in the interwar period (1914–1939)
- 5 – devastation during World War II (1939–1945)
- 6 – intensive centrally planned development of industry and services after World War II (1945–1989)
- 7 – industrial collapse, mainly textiles (1989–1997)
- 8 – intensive economic transformation, industrial restructuring, development of services after 1997

The political and economic transformation initiated in 1989 caused an economic crisis in Łódź, especially in the city’s traditional textile industry, which to a large extent ensued from the cut-off from the eastern markets and the liquidation of large unprofitable state enterprises. Employment in the industry dropped dramatically causing high unemployment. On the other hand, employment in the tertiary sector was on the increase. The ownership structure of different sectors of the economy (including industry) changed as they were rapidly privatised.

In order to overcome the economic crisis, the city council ordered a development strategy from a well-established consulting firm, McKinsey & Co. The strategy assumed further development of industry, not in textiles however, but household appliances, as well as a focus on Business Process Offshoring (Outsourcing) and logistics. The choice of such a development strategy was based on a number of assets:

- 1 – industrial traditions
- 2 – excellent geographical location, close to the capital, near prospective motorway junctions
- 3 – cheap but professional and well-educated workers
- 4 – land cheaper than in other large cities, with lower service charges

Another very important asset attracting investors to Łódź was the establishment of a Special Economic Zone in 1997, covering over 140 hectares in 12 sub-zones in Łódź alone. After ten years of its operations it is one of the most successful economic zones in Poland.

Investors active in the Zone use public aid to support new investments (exemption from corporation tax until 2017) and to create new jobs (reimbursement of up to 65% of the payroll costs). In order to obtain permission to run a business activity there, the minimum of 100,000 euros must be invested and the business must be run for at least five years without transferring the ownership of property (Journal of Laws No. 46, 2007)

The sub-zones are located in several parts of Łódź – both in the city centre in Tymienieckiego Street, in the south-eastern part in Dąbrowa (Dąbrowskiego Street, Lodowa Street), in Kurczaki, and on the outskirts: in the western part – Nowy Józefów (nearly 42 has), and in the eastern part – Olechów (45 has) (fig. 1). The latter two complexes are the largest in area, and among the top five in terms of invested capital (tab. 1).

In the Special Economic Zone there are brownfield areas (with vacant buildings which can be adapted or demolished), as well as greenfield areas (unoccupied, without buildings and infrastructure). The former include areas in the central sub-zone (with 19th c buildings) or in Dąbrowa (post-war buildings), while the latter include the largest peripheral areas of Nowy Józefów and Olechów.

Since 1997, 30 companies have invested nearly two billion PLN in Łódź, creating over 4000 new jobs (tab. 1). The biggest enterprises are: Dell, Gillette Poland, BSH Household Equipment, and Indesit.

Eligible to operate in the special zone are most types of manufacturing and some services, e.g. transport or warehousing. In accordance with the Ministers Council’s Ordinance of 8th February, 2005 (Journal of Laws No. 32, 2005), the range of permitted activities includes computer services, biological and technological research, auditing and accounting services.

The clear-cut development path and the various incentives have attracted a great number of foreign investors to Łódź. They have received suitable locations from the city council (mainly within the special economic zone) and tax exemptions. They have invested in industry and services.

The majority of industrial investments were located in the industrial districts from the 1970s, in the outer zone, outside the ring railway line, with particularly high concentrations in Dąbrowa and Teofilów (fig. 3). A few were located in the city centre, in the area of the former factory owned by one of Łódź’s greatest industrialists, Karol Scheibler (Łódź Special Economic Zone – City Centre), as well as in the western part of the outer zone (Nowy Józefów) and in the eastern part of the outer zone – Olechów (fig. 3).

As regards tertiary investments, it is natural that they are primarily located in central quarters - mainly in the inner city, within the ring railway line (fig. 4). They often occupy former brownfields left after the collapse of industry, mainly textiles (e.g. Manufaktura or Uniqua). The most impressive tertiary investments are located along Mickiewicza and Piłsudskiego Streets – Uniqua (insurance), Qubus (hotel), Silver Screen (cinema-entertainment complex), Ibis (hotel), Galeria Łódzka (shopping centre), Philips (financial centre), and recently Campanile (hotel). Outside the city centre, near the exit roads from the city and close to large residential districts, shopping centres/malls are found (fig. 4), also on former industrial brownfields.

A symbol of the economic change in Łódź at the beginning of the 21st c. are, on the one hand, modern and powerful factories, such as Dell, Gillette or the household appliances cluster, and on the other – Manufaktura (a shopping, entertainment and cultural centre), and numerous hypermarkets and private higher education institutions. These appeared in the second half of the 1990s, except for the ‘College of Business Health Education’ (Wyższa Szkoła Biznesu i Nauk o Zdrowiu 2002) and the ‘College of Higher Education’ (Wyższa Szkoła Pedagogiczna 2003).

One example of an interesting foreign direct investment location is the household appliances cluster. A cluster may be defined as “a concentration of enterprises in geographical space, increasing their profit through co-operation and mutual support” (S k o r e k, 2007). The Łódź cluster dates back to 1998, when the BSH washing machine factory was built, to be followed in 1999 by an operation of Italian cookers manufacturer, Indesit (tab. 2). This resulted in investments made by many subcontractors of both manufacturers. New investors were recruited by the city authorities who offered them locations in the special economic zone.

Currently, there are 12 enterprises co-operating within the cluster, employing over 3500 people. The firms constituting the cluster are mostly situated in the south-eastern part of Łódź, on the border of Górna and Widzew districts, outside the ring railway line (fig. 2). It is a former industrial area, clearly separated from residential districts (Dąbrowa and the Polish Millennium housing estates). From the south it borders on green areas and wasteland. Such a location is convenient for communication between the main companies and their subcontractors, and large articulated trucks and those with trailers do not disturb the city’s inhabitants.

Polish investors, with much less capital, set up small enterprises, employing between 50 and 249 people. Apart from the largest of them, ATLAS, tile adhesives producing (about 1000 employees), they were usually firms clothes or food companies, or chemical enterprises (tab. 3, fig. 5). Also, 18 private institutions of higher education were opened, which raised the status of Łódź as an academic centre.

In 2007, there were 103 enterprises registered in the REGON system, employing over 50

Table 2. Investors in the Łódź household equipment cluster

Investor	Address	LSEZ complex	Area [hectares]	Amount invested [millions]
BSH (Bosh, Siemens, Hausgerate)	Wedmanowej 10	Lodowa	7.84	240.00
BSH	Papiernicza 7	–	6.50	230.00
Cablex – Polska	Papiernicza 7	–	0.58	9.75
Coko-Werk Polska	Dąbrowskiego 225/243	Lodowa	1.40	11.31
DSWI (Drahtzug Stein-Wire Industries)	Techniczna 8/10	Dąbrowa III	2.70	10.00
E.G.O. Polska	Techniczna 2/4	Techniczna	3.78	1.50
Hirsch Porozell	Dąbrowskiego 208/210	Dąbrowa IV	1.41	12.57
Indesit Company Polska	Dąbrowskiego 216	–	7.28	340.00
Mar-Mit	Tymienieckiego 22/24	Centrum	0.74	2.40
Mecalit Polska	Dąbrowskiego 113	Dąbrowa V	2.85	11.00
Prettl Elektrotechnika	Techniczna 2/4	Techniczna	3.78	9.00
Schaumplast Organika	Dąbrowskiego 180/194	Dąbrowa VI	2.73	6.00
Wirthwein Polska	Dąbrowskiego 225/243	Lodowa	1.89	40.00

Source: S k o r e k , 2007

staff each, set up in 2000–2007 (some of them had existed earlier under a different name). Not all can be called new investors, because some of them, like the Medical University or Regional Medical Emergency Service, only changed their former name.

Polish investors usually chose a location in or off the city centre, often in former industrial areas. Some investments were located in the Special Economic Zone (Centre) and in Teofilów (fig. 5), while the majority of tertiary investments were located within the ring railway line.

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Table 1. The largest foreign investors in Łódź after 2000 (1998-2007)

Investor/Year	Address	Sector	Origins of capital	Capital	No of employees
Dell Products 2006 r.	Olechowska 93 LSSE	Industry Computers	USA	200 m euros	1100
Indesit Company	Dąbrowskiego216 LSSE	Industry Cookers Refrigerators	Italy	500 m PLN (\$147 m) 340 m PLN 160 m PLN	1700 1100 600
BSH 1999 r. 2004 r.	Papiernicza 7 Wedmanowej 10 LSSE	Industry Washing machines, dishwashers, driers	Germany	470 m PLN (\$118 m) 230 m 240 m	1400 900 500
Amcor Ltd 2001r., 2006 r.	Aleksandrowska 55	Industry Packaging	Australia	\$117 m	– *
Gillette Poland 2003 r.	Nowy Józefów 70 LSSE	Industry Shaving goods	USA	\$111 m	Over 1000
Uniqua International Beteiligung	Gdańska 132	Service Insurance	Austria	\$ 110 m	–
Metro AG Polska	Brzezińska 27	Commerce Wholesale warehouses	Germany	\$ 110 m	–
Apysys Rotchild	Ogrodowa	Service Shopping-entertainment-cultural centre	France	\$ 103 m	–
ECE Projektmanagement	Piłsudskiego 15/23	Service Shopping centre	Germany	\$ 100 m	–
Shell	Dostawcza 3	Service Gas distribution, petrol stations	Great Britain	\$ 72	–
Nordea Bank	Rzgowska 34/36	Service Banking	Sweden	\$ 56 m	–
Wirthwein 2004 r.	Dąbrowskiego 225/243. LSSE	Industry Sub-assemblies for driers	Germany	40 m PLN	150
Hirsh Porozell 2005 r.	Dąbrowskiego 208/210 LSSE	Industry Shaped styrofoam	Austria	12.5 m PL	39
Coco-Werk 2005 r.	Dąbrowskiego225/243 LSSE	Industry Washing machine doors	Germany	11.3 m PLN	100
Drahtzug Stein Wire Industries 2004 r.	Techniczna 8/10 LSSE	Industry Dishwasher baskets	Germany	10 mPLN	106
Cablex Polska 2003 r.	Papiernicza 7 LSSE	Industry Electric quads for dishwashers	Slovenia	9.7 m	230
Prettl Elektrotechnika 2007 r.	Techniczna 2/4 LSSE	Industry controls for washing machines	Germany	9 m PLN	70
Mecalit Polska 2007 r.	Dąbrowskiego 113 LSSE	Industry washing machines and drier panels	Germany	11 m PLN	–
Schaumplast Organika 2007 r.	Dąbrowskiego 180/194 LSSE	Industry Shaped styrofoam	Austria	6 m PLN	–

Source: REGON data from the Regional Office of Statistics in Łódź, S k o r e k A., 2007, Informator Inwestora, 2005 LSSE – Łódzka Specjalna Strefa Ekonomiczna (Łódź Special Economic Zone) * no data available