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## **“For Poland to grow strong...” The concept of modernizing the Polish automotive industry 1971–1972**

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**Summary.** The first half of the seventies of the 20<sup>th</sup> century was the time of great changes in Poland. The new leadership of the Central Committee of the Polish United Workers' Party, headed by First Secretary Edward Gierek, reformulated the party policy, trying to improve the living conditions of the society and at the same time, to modernize the Polish industry, to enhance residential construction, and to boost international trade. The Polish automotive industry also required radical changes in the vehicles of both, private use and collective transport. Hence, at the beginning of 1971, a politically-motivated decision was made to buy a license for a small-engine car and for a modern bus from the western countries. The trade negotiations with Fiat, Citroën, Renault (passenger car) as well as Berliet, Fiat, Hino (Japan), Klöckner-Humboldt-Deutz (bus) did not last long. Already in October 1971, a contract was signed with the Italian Fiat, under the terms of which the Fiat 126p car production was to be launched in Poland, and in August 1972 with the French Berliet, which undertook the production of a modern bus.

In practice, Fiat 126p took the national automotive industry to a totally new level, becoming a highly popular car. The Berliet bus, in contrast, proved not to be an effective solution to the problems of the Polish public transport. It can be concluded that the concept of modernizing the Polish automotive industry by launching the licensed production of Western vehicles, which was formulated at the beginning of the seventies of the 20<sup>th</sup> century, turned out to be only partially successful.

**Keywords:** Polish economy in the 20<sup>th</sup> century, automotive industry in Poland, passenger cars and buses, foreign licenses.

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IN the first half of the seventies of the 20<sup>th</sup> century, great changes took place in numerous spheres of life in Poland. The policies which so far followed the idea of “crude socialism” were abandoned and the modernization on a wide scale began. It was intended to modernize the Polish industry, to increase the efficiency of residential construction and to expand trade with other countries, and consequently, to translate into an increase in the living standard of Poles<sup>1</sup>. The scale of these undertakings was so grand that the new policy was called the “strategy of the dynamic and harmonious growth”, which in the propaganda language of that time was referred to as “building of a second Poland”<sup>2</sup>. The modernization program also covered the Polish automotive industry, which was outdated and poorly developed even in comparison with other socialist countries.

In February 1971, at the 8<sup>th</sup> Plenary Session of the Central Committee (further on: KC) of the Polish United Workers’ Party (further on: PZPR) which addressed the violent social and political conflict that arose in Poland, and announced the reorientation of the national policy in various areas, Edward Gierek, the First Secretary of KC PZPR, expressed the need for the automotive development. He stated that the transport requires “heavy trucks”, the passenger transport, “new buses with bigger number of seats”, and individual citizens, new passenger cars. “We also find it important to quicken the widespread use of cars. For this reason, it is crucial to set up the mass production of a small-engine passenger car, the manufacturing cost of which would be relatively low and which could be, therefore, available to the largest number of working men possible. Our industry should prepare to start such production in the incoming years. We have recently opened talks with other socialist countries, as the best solution would be a major, joint undertaking, aimed at mass production”, said the first secretary<sup>3</sup>. Leaving aside the matter of heavy-duty vehicles, it should be noted that the decision to start the production of a new bus and a passenger car was *de facto* already taken. At the moment, however, there was no mention that it would be based on the licenses acquired in the

<sup>1</sup> E. Gierek, *Smak życia. Pamiętniki*, Warszawa 1993, p. 98.

<sup>2</sup> J. Kaliński, Z. Landau, *Gospodarka Polski w XX wieku*, Warszawa 2003, p. 298.

<sup>3</sup> VIII Plenum KC PZPR 6–7 lutego 1971 r. *Przemówienie I sekretarza KC PZPR Edwarda Gierka. Uchwały*, Warszawa 1971, pp. 36–37.

Western countries. On the contrary, Gierek spoke about the cooperation with the socialist countries.

However, this idea was quickly abandoned. In February 1971, at the meeting of the Sejm Committee of the Heavy, Chemical and Mining Industry, Tadeusz Wrzaszczyk, the minister of machine industry and earlier, among others, the chief engineer in the Passenger Automobile Factory (further on: FSO) in Warsaw and the chief director of the Automotive Industry Association, announced that the production of the outdated car *Warszawa* would be ceased and the production of a popular small-engine car would be undertaken<sup>4</sup>. More details on the subject were provided during the 6<sup>th</sup> Congress of PZPR, which was held on December 6–11, 1971 in Warsaw. Let us focus on Minister Wrzaszczyk's speech. It was rather demagogic to agree with the society that was, in fact, awaiting modern durable goods, including buses and passenger cars. However, Wrzaszczyk put an increased emphasis on the issue of a passenger car. Interestingly, he asserted that an initiative regarding the production of the vehicle was introduced in Silesia where  $\frac{3}{4}$  of the production were to be concentrated, with the target of 150 thousand cars per year. Moreover, a new car adapted to the needs of farmers, based on the design of *Syrena*, was supposed to reach the villages. "Most of all, we consider a cheap passenger and an agricultural car to be an indispensable condition for bringing motorized vehicles into massive use, as well as an element of polytechnization and of industrial advancement of urban and rural population. It is an undertaking that will improve labor productivity and maintain the balance on the market, having profound economic, social and cultural consequences, eliminating the backwardness complex. Owing to this major decision of the new leadership of the governing party, we will provide the society with nearly 1.5 million passenger cars and agricultural vehicles by 1980", asserted the minister<sup>5</sup>.

The followed recommendations were also included in the congress resolution entitled "For the further socialist development of the Polish People's Republic in the years 1971–1975". As stated in the document, "the faster than the average increase in the production of the automotive industry" should involve starting the manufacturing of: a small-engine passenger car, a modern bus

<sup>4</sup> P. Semczuk, *Maluch. Biografia*, Kraków 2014, p. 27.

<sup>5</sup> VI Zjazd Polskiej Zjednoczonej Partii Robotniczej. *Stenogram. Warszawa 6–11 grudnia 1971 r.*, Warszawa 1972, p. 404.

for the urban and intercity transport, a new car for farmers and a “unified family” of farm tractors<sup>6</sup>.

The issue of automotive development was not controversial to the new team which overtook the power in Poland. Before the decisions during the 6<sup>th</sup> Party Congress were made, the necessary analytical work had been undertaken in the Ministry of Machine Industry whose responsibility was to ensure the supply of particular vehicles, all of which must have happened with consent of the authorities. In mid-1971, it was already deemed necessary to purchase a license for a popular passenger car as well as for a high-capacity bus. The expenditure on these projects was planned to account for as much as 52% of the total funds allocated for the investments in obtaining licenses in 1971–75<sup>7</sup>, which proves that the automotive investments were seen as a priority task for the machine industry. They soon turned out to be crucial not only in this branch of the economy, but also to the whole country.

### **The purchase of the Fiat 126p license**

As proclaimed by Gierek, Poland was to catch up with the Western world in terms of living standards. Yet, it could not have happened without the developments in the automotive industry, since other countries were growing strong in this sector. In 1970, 143 thousand passenger cars were produced in the Czechoslovak Socialist Republic (further on: CSSR), in the German Democratic Republic (further on: GDR), 127 thousand, in the Union of Soviet Socialist Republics (further on: the USSR), 344 thousand, France, 2,458 thousand, the Federal Republic of Germany (further on: FRG), 3,528 thousand, Great Britain, 1,541 thousand, Italy, 1,720 thousand, Japan, 3,179 thousand, the United States of America (further on: USA), 6,547 thousand, and in Poland only 65,200<sup>8</sup>. It means that PRL was falling behind not only with the highly developed capitalist countries, but also with other countries of the Eastern Bloc. The first step towards changing this situation was the launch of the licensed production of the Fiat 125p in November 1967. Although the car was popular

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<sup>6</sup> *Ibidem*, p. 572.

<sup>7</sup> Information for the Presidium of the Government regarding the purchase of licenses in 1971–1975, October 2, 1971, The Central Archives of Modern Records in Warsaw [further on: AAN], The Ministry of Foreign Trade [further on: MHZ], 74/30, p. 36.

<sup>8</sup> *Rocznik statystyczny 1975*, Warszawa 1975, p. 581.

with Poles, it was too expensive to base on it the widespread motorization<sup>9</sup>. A Polish equivalent of the "people's car" was necessary, and thus, the so-called small Fiat, i.e. Fiat 126p, was introduced.

As mentioned above, the new party-state leadership appointed at the turn of 1970 and 1971 was quick to explore the subject. The car industry carried out the necessary analyzes regarding the choice of a small-engine car type and the possibility of starting its production. It was revealed that the automotive industry in Poland lagged behind most of European countries. A similar situation occurred only in the countries in which the gross national income (GNI) per capita was at the level of  $\frac{1}{3}$  of the GNI per capita of Poland. What is more, if one million new passenger cars were introduced on the Polish market by 1980, the motorization index would equal the ones of GDR and CSSR in 1970. In that case, the key issue was to launch the production of a very own small-engine car, which would be characterized by low manufacturing costs and so, would be available to "the largest number of working men possible". To achieve this goal, it was necessary to expand the manufacturing base of the automotive industry, including the construction of a new factory of small-engine cars, which by 1975, the last year of the implemented five-year economic plan, would be able to produce 150 thousand vehicles per year<sup>10</sup>. The new cars were not only to be inexpensive to produce but also "reliable, durable and simple" to use.

After the necessary analyses were carried out in mid-1971, the Presidium of the Government looked into the matter. Although the concept of launching the production of passenger cars was not provided for in the version of the five-year plan for 1971–1975 which was passed on by the team of Władysław Gomułka and was still in force, it was decided to authorize the heads of the Ministry of Machine Industry and of the Foreign Trade to purchase an appropriate license by July 31, 1971: "The choice of the licensor should be based on the results of a comprehensive technical-economic analysis". In addition, the minister of foreign trade was obliged to "ensure the most favorable terms of the credit purchases". The minister of machine industry was ordered to negotiate the possibility of partial repayments of the foreign currency expenses with

<sup>9</sup> T. Szczerbiński, *Samochody w PRL. Rzecz o motoryzacji i nie tylko*, Czerwonak 2010, p. 351.

<sup>10</sup> Draft justification for the decision of the Presidium of the Government, 1971, AAN, The Polish United Workers' Party [further on: PZPR], 774, no page.

so-called compensatory deliveries and deliveries of finished vehicles to the licensor. The Ministry of Finance was obliged to prepare, by October 30, 1971, the project of the prepayments system, within the framework of which individual clients were to purchase cars. The total investment expenditure was set at PLN 12.8 billion, out of which PLN 4.5 billion was for the construction and assembly works<sup>11</sup>.

The undertaken tasks could only be fulfilled by purchasing a license from one of the recognized passenger car producers, which meant withdrawing from Gierek's statement of February 1971 about possible cooperation with socialist countries. In his memoir, Prime Minister Piotr Jaroszewicz admits that the potential of the states comprising the Council for Mutual Economic Assistance did not constitute "sufficient grounds for the necessary acceleration of our country's development". Hence, in order to improve the state of its automotive industry, Poland had to open up to the West<sup>12</sup>. After analyzing the offers submitted by the leading factories, four types of cars were selected and considered: Fiat 126, Fiat 127, Renault 122 and Citroën Dyane 6 (see tab. 1). However, Citroën with a 600 cc engine was excluded due to a rather complex and, at the same time, somewhat outdated construction ("does not fulfil the current requirements regarding the air pollution prevention; meeting them would involve reducing the power of the engine"). Next, the company producing Renault (a modern 950 cc engine) offered the worst compensation terms, i.e. the reduction in the total cost of purchase by deliveries of a manufactured car or its subassemblies. The French were interested exclusively in delivering a complete car with the luxurious *coupé* body, which would necessitate launching an additional production line for this version of a car<sup>13</sup>. Therefore, only cars of Fiat were taken into account: 126 (600 cc) and 127 (900 cc).

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<sup>11</sup> Draft decision of the Presidium of the Government, 1971, AAN, PZPR, 774, no page; Note on the decision regarding the production of a small-engine passenger car, July 19, 1971, *ibidem*, no page; License purchasing program in the years 1971–1972, [1971], *ibidem*, The Ministry of Science of Higher Education and Technology [further on: MNSzWiT], 351, p. 192.

<sup>12</sup> P. Jaroszewicz, *Przerywam milczenie... 1939–1989*, Warszawa 1991, p. 174.

<sup>13</sup> Draft justification for the decision of the Presidium of the Government, 1971, AAN, PZPR, 774, no page.

Table 1

Fiat 126 and competing vehicles. A comparison of basic data and the costs of launching production

Type	Fiat 126	Fiat 127	Renault 122	Citroën Dyane 6
Engine capacity	600 cc	900 cc	950 cc	600 cc
Drive type	rear	front	front	front
Cooling	air	water	water	air
The cost of producing a single car (in PLN)	40,000	50–55,000	50–55,000	42,500
Body-style variations*	none	yes	yes	yes
Capital expenditures (in billions of PLN)	12.8	16.6	14	14.1
Foreign currency expenses (in millions of USD)	125	180	170	150
Foreign currency balance (in millions of USD)	-19.4	-29.7**	-101	-29.5

\* E.g. van, estate.

\*\* The original, most likely by mistake, quotes a completely odd value: + \$29.7 million.

Source: Draft justification for the decision of the Presidium of the Government, 1971, AAN, PZPR, 774, no page.

This option seemed especially appealing as Poland would be able to launch the so-called compensatory export, if the Italian company agreed. In this case, the deliveries to Italy would consist of not the whole cars but sets of components, which according to the European Economic Community regulations were liable to lower customs duty. Besides, Poland had already cooperated with Fiat



in the production of Fiat 125p. It was argued that “signing the contract with Fiat automatically ensures the cooperation on the development and modernization of the Polish Fiat 125p and allows to continue exporting it to capitalist countries”<sup>14</sup>. And it was an important issue as Poland expected to gain USD 10 million from the sale of these cars abroad in just 1971. The network of dealer and car service salons was indispensable to maintain the then situation and to increase the exports. In the opinion of the Polish Ministry of Machine Industry, if another car producer was chosen, the Italians could cease further cooperation, which in turn meant that FSO would not be able to improve the construction of Fiat 125p, and would lead to other considerable problems resulting from the need to conclude a new agreement and, of course, to incur new license fees. Undoubtedly, it would also bring about a significant reduction in the export of the car to Western countries.

On the other hand, the choice of Fiat’s offer for the production of a new small-engine car implied that: they could make use of the previous cooperation experiences; the staff of the Polish automotive industry would already have basic understanding of the Italian language as well as of the Italian standards, materials and technological processes; Fiat 126 would be compatible with a new series of Italian cars with small and medium engines (600–1500 cc); the construction of Fiat 125p would be developed and Poland could gain foreign currency from its exports; the organization of the national service network for new cars would be developed and the supply of replacement parts would be insured<sup>15</sup>.

It is worth adding that despite leaning towards the offer of Fiat, which apart from the above-mentioned advantages, gave prospect of starting the production promptly<sup>16</sup>, the Polish government did not resign from seeking additional benefits during the negotiations, which were to be conducted with all the companies. It was assumed that the licensor would provide not only the technical documentation of the car, but also the design of its future factory in Poland, and the technical assistance during its construction and the training of employees. Moreover, Poland sought the most convenient

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<sup>14</sup> *Ibidem.*

<sup>15</sup> *Ibidem.*

<sup>16</sup> The construction of the Polish factory was expected to begin in 1971. The production of 150–200 thousand vehicles per year was planned in the first stage of investment in the years 1973–1975, and 350–400 thousand in 1985 when the target production level would be reached.



credit terms and the possibility of compensatory deliveries which would "partially pay off the loan". Optimally, the income from the compensatory deliveries was to cover as much as 70–80% of the foreign exchange value of the transaction<sup>17</sup>.

Although the final decision of the government required the approval of the PZPR leadership, given the above conditions, the objection was unlikely; especially if we consider the note from the Economy Department of KC PZPR of July 19, 1971<sup>18</sup>. The document treats exclusively on Fiat 126p. The only disadvantage of the car mentioned was its limited practical application in the countryside. It did not, however, cause much concerns since the machine industry assured that it could be solved by launching the production of *Syrena* in a version adapted to the needs of the village ("mule" type).

According to the analysts of the party, if the car production was to begin shortly, the orders had to be carefully prepared and the machines and equipment, including those from abroad, had to be delivered in a timely manner<sup>19</sup>. At the same time, it was suggested that while negotiating with Fiat on a small-engine car, it would be necessary to ensure that Poland would have the Fiat 125p license extended, "taking its modernization into account". This was a condition for the further development of the production of this car in FSO and for its sale on the domestic, and above all, foreign market. It should be emphasized that while the Economy Department of KC approved of the plan to buy a small-engine car license, they also recognized the importance of this venture for the economy and society. The development of automotive industry was believed to increase the employment in the sector and create new jobs, also for highly specialized personnel (and it entailed the preparation of an appropriate housing base). The Economy Department also assessed positively the fact that the car was to be bought in the prepayment system. It was anticipated that new cars would bring about a favorable change in the structure of people's consumption<sup>20</sup>.

<sup>17</sup> *Ibidem*. See also S. Długosz, *Dyplomacja Merkurego*, Warszawa 2000, p. 129.

<sup>18</sup> Note on the decision regarding the production of a small-engine passenger car, July 19, 1971, AAN, PZPR, 774, no page.

<sup>19</sup> According to the initial assumptions, the domestic production was to be launched in March 1972, reaching the full manufacturing capacity in April 1976. See Information for the Presidium of the Government regarding the purchase of licenses in 1971–1975, October 2, 1971, AAN, MHZ, 74/30, p. 36.

<sup>20</sup> Note on the decision regarding the production of a small-engine passenger car, July 19, 1971, AAN, PZPR, 774, no page.

As follows from the above, at the beginning of the seventies of the 20<sup>th</sup> century, the officials of various ranks (the leadership of PZPR, the Presidium of the Government, the Department of Machine Industry) were aware of the need of launching the production of a small-engine car. The undertaking was to reduce the significant underdevelopment of the country, while simultaneously produce a positive response to the needs of society, which surely made it easier for the new party-state leadership to implement their policies in other fields. In addition, the new car was to facilitate the increase in the work efficiency of Poles and to motivate them to save. Thus, the real wages, which were anticipated to grow, would not burden only the very fragile food market. Apart from the change in the consumption structure, other important targets included the polytechnization of Poles and the development of other industry branches, and they were to be reached through the cooperation with the leading automotive company.

The choice of the Italian Fiat should not come as a surprise since it stemmed from the previous Polish-Italian economic relations: the cooperation in the automotive field in the pre-war period, the contract of December 1965 for the production of Fiat 125p and modernization of FSO in Warsaw, the positive balance in trade with Italy, and the highly promising agreement about the trade and economic cooperation, signed on February 18, 1970, which foreshadowed the far-reaching liberalization of mutual relations in the economic sphere. Beside Italy, out of all EEC countries, only France decided to make a long-term agreement with a country representing a dissimilar socio-political system<sup>21</sup>. The signed agreement quickly translated into the development of relations, including the increased use of Italian technologies in the Polish industry. The production licenses for, among other things, a marine diesel engine, a special machine tool and various pharmaceuticals were purchased at that time<sup>22</sup>. However, the automotive industry remained the main sphere of cooperation.

Therefore, it is not surprising that on October 29, 1971, a license agreement was signed with the Italian Fiat, which provided for the production of Fiat 126 car with a “p”<sup>23</sup>. For this purpose, Poland

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<sup>21</sup> G. Bernatowicz, *Stosunki polsko-włoskie 1944–1989*, Warszawa 1990, p. 90.

<sup>22</sup> M. Paszkowski, *Polska–Włochy. Gospodarka, stosunki ekonomiczne*, Warszawa 1972, p. 140.

<sup>23</sup> On March 20, 1972, the contract came into force and was to remain effective until December 31, 1980, while the launch of domestic production was to take place

has been granted a long-term loan<sup>24</sup>. Equally importantly, the Polish side was to repay part of its liabilities with deliveries for Fiat. In this situation, it is hard to deny the statement that "the cooperation agreement with Fiat was the most serious agreement between Poland and Western countries in terms of scale and scope. The adopted solutions served later as a model for the countries with different socioeconomic systems"<sup>25</sup>.

It should be noted that when the news was announced, nobody in Poland, except for the group participating in the decision-making process, knew what the car looked like<sup>26</sup>. At the beginning of 1972, the construction of the Factory of Small-Engine Cars in Bielsko-Biała began. The new car, more precisely, sample from Italy, was displayed in public in November of the same year and awoke great interest among Poles. In March 1973, the first vehicle was assembled from the Italian parts in Bielsko-Biała, and its assembly-line manufacture started. Eventually, at the end of July, the Polish people became owners of their own versions of Fiat 126p<sup>27</sup>. The car cost nearly PLN 70 thousand and was available in the system of prepayments on the bankbooks of the General Savings Bank, and to the chosen ones, for vouchers or for foreign currency. Despite the quick disappointment due to its low quality, the vehicles remained highly popular for many years<sup>28</sup>. This way, the popular "maluch" became an important cultural artefact, embodying more than Poles' automotive desires. Its appearance also reduced the industrial underdevelopment expressed in the number of cars produced annually. In 1974, with 143 thousand cars produced, Poland caught up with GDR (155 thousand) and Czechoslovakia (169 thousand)<sup>29</sup>. Howev-

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in the second quarter of 1973. See Decision No. 19 of the Ministry of Science of Higher Education and Technology, November 12, 1980, AAN, MNSzWiT, 323, p. 100.

<sup>24</sup> W. Bień, *Jak doszło do zadłużenia Polski za granicą w latach 1970–1985. Ze wspomnień uczestnika wydarzeń*, Warszawa 2017, p. 15.

<sup>25</sup> G. Bernatowicz, *op. cit.*, p. 111.

<sup>26</sup> P. Semczuk, *op. cit.*, p. 70.

<sup>27</sup> Z. Podbielski, *Polskie fabryki samochodów 1946–1989*, Łódź 2016, p. 59, 64.

<sup>28</sup> In 1976, one hundred Fiats 126p that had been previously checked by the quality control team of the company came under technical examination. It turned out that as much as 94% of them were not "technically and qualitatively efficient". See Draft information on the results of the quality control of the machine industry products, February 1978, The Archives of the Supreme Audit Office, 1569/10, p. 102; K. Lesiakowski, *Najwyższa Izba Kontroli w systemie organizacyjnym PRL (1976–1980). Podstawy formalne funkcjonowania i rzeczywista działalność*, [in:] *PRL na pochylni (1975–1980)*, eds M. Bukała, D. Iwaneczko, Rzeszów 2017, p. 130.

<sup>29</sup> *Rocznik statystyczny 1975...*, p. 581.

er, the Western world was still out of reach, even though in 1974 there was a marked reduction in the production of new cars, which was due to the global oil crisis. With reference to the shock on the market of liquid fuels, it should be added that Fiat 126p was an apt response to difficult times of rapidly rising oil prices (still, in Poland the issue was definitely less apparent owing to the import of fuels from the USSR). A small engine made it easier to survive the oil crisis.

### **The purchase of the Berliet bus license**

The public transport, for which large-capacity vehicles were indispensable, also required modernization. In the sixties of the 20<sup>th</sup> century, Poland began to produce a 10.5-meter bus under the Czechoslovak Karosa license, basing on the imported Škoda chassis. Nonetheless, the Czechoslovak producer limited the deliveries to 2 thousand chassis per year and the Jelcz Automobile Factory was not able to increase the production of buses (in addition, up to 40% of vehicles did not go to the public transport but to various institutions). It led to problems with inter-city communication as well as within the cities, especially the developing ones. The lack of buses was estimated at several thousand. Thus, at the beginning of the seventies of the 20<sup>th</sup> century, approx. 3 thousand trucks were still being used for the transportation of workers. The situation of public transport was also worsened by: the cancellation of plans to build the Warsaw metro, limited possibilities to increase the number of passengers transported by streetcars and the upcoming removal of trolleybuses<sup>30</sup>. The poor level of development of private passenger transport, not to mention the general air traffic, placed additional load on the public urban, intercity and tourist transport.

Facing the given circumstances and not being able to increase the imports of chassis from CSSR that was used to manufacture Jelcz buses, and having an outdated construction of the bus (from over a decade) – with short lifespan, high operating costs, modest travelling comfort, at the beginning of the seventies of the 20<sup>th</sup> century, the Polish government decided to purchase the license and start production of a new vehicle. The then leader of the Polish state, Gierek, recalls the issue: “Once December was over, knowing

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<sup>30</sup> Justification for the decision of the Presidium of the Government regarding the purchase of a bus license, 1971, AAN, PZPR, 774, no page.

from experience what problems we were about to face with the bus transport in Silesia, I put forward a radical solution – purchasing the license for a good and efficient bus. We were considering two versions of a bus: for public and intercity transport. The talks with several countries were opened”<sup>31</sup>. In fact, the preliminary stages of such a transaction took place at the end of the sixties of the 20<sup>th</sup> century, when the new city buses were being tested on the streets of Warsaw, generating discussion in the press. But it wasn't until mid-1971 that the plan was taking shape. New vehicles were appearing in the streets and their producers were to compete for the contract with Poland<sup>32</sup>.

Embarking on this enterprise, the Polish machine industry awaited an offer which would meet the global standards in the field of bus production. The new vehicles were to be characterized by: high transport efficiency (100–115 people in public transport and approx. 60 in tourist traffic), hence the length of up to 12 m and maximum resistance to the high pressure on the axles of the vehicle were required; high driving qualities (travel speed, grade ability, acceleration); reasonable capacity (adequate interior, low floor, double doors); extended durability, the mileage of 700 thousand km for each general overhaul and replacement of car parts; the reliability of the vehicle and the reduced frequency of controls at the maintenance and servicing facilities; the use of modern solutions in vehicle steering support<sup>33</sup>. Furthermore, it was assumed that the first 50 vehicles (in the other variant, 100) would come out already in 1972. At the beginning, however, they were produced on the basis of the cooperative import of parts and subassemblies from the licensor<sup>34</sup>. Nevertheless, once the production in Poland started, the import was to be gradually reduced.

With these intentions, Poland commenced the talks with the foreign companies that had potential and relevant experience in the

<sup>31</sup> J. Rolicki, *Edward Gierek. Replika (wywiad rzeka)*, Warszawa 1990, p. 95.

<sup>32</sup> W. Winek, *Marka "Berliet" w Polsce w latach 1914–1973*, part 1 (*Fakty, mity, polemiki*), Warszawa 2014, pp. 5–12, [mbc.cyfrowemazowsze.pl/Content/27176/00028132-0001.pdf](http://mbc.cyfrowemazowsze.pl/Content/27176/00028132-0001.pdf) (online: September 5, 2015).

<sup>33</sup> Justification for the decision of the Presidium of the Government regarding the purchase of a bus license, 1971, AAN, PZPR, 774, no page.

<sup>34</sup> According to the initial assumptions, the Polish production was to be launched in April 1973, reaching the full manufacturing capacity in April 1976. See Information for the Presidium of the Government regarding the purchase of licenses in 1971–1975, October 2, 1971, AAN, MHZ, 74/30, p. 36.

production of buses. At first, as the Ministry of Machine Industry claimed, the contact was established with companies from the CSSR and the Hungarian People's Republic (further on: HPR), i.e. socialist countries. Yet, these partners could guarantee neither a prompt start of production nor modernity of manufactured vehicles. And thus, the companies from capitalist countries came to focus, even more so that the cooperation with Western partners was, at this time, well perceived by the party-state leadership<sup>35</sup>. What is more, the offer of these companies corresponded with the requirements of Poland and the cooperation on the production of a licensed bus might result in additional benefits: learning the modern technologies and using them for modernizing various branches of the Polish industry, as well as adopting some of the technical solutions in other Polish vehicles.

The conducted analyses indicated that the optimal solution (out of the three options considered), with the best ratio of incurred expenditures (license, investment costs) to the number of vehicles produced, would be an intermediate option (the second one). It provided for continuing the production of Jelcz buses on the Škoda chassis until 1974 (2050–2200 vehicles per year) and in 1972–1975 manufacturing the total of 3,850 new, licensed vehicles, while the investment expenditure amounting to USD 19 million<sup>36</sup>.

In his diary, Prime Minister Jaroszewicz describes the official course of events – the teams of specialists looked closely into the submitted offers<sup>37</sup>. They were choosing between the proposals of: the French Berliet, the West German Klöckner-Humboldt-Deutz (further on: KHD), the Italian Fiat and the Japanese Hino<sup>38</sup>. The literature of the subject also mentions the Spanish Pegaso, which is said to have participated in the test drives in Warsaw in 1971<sup>39</sup>, yet it appears to have been eliminated from the competition at its

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<sup>35</sup> *VI Zjazd Polskiej Zjednoczonej Partii Robotniczej...*, p. 292.

<sup>36</sup> The first option provided for the production of Jelcz until 1975, and the introduction of one thousand and five hundred new buses in 1973–1975, with the capital expenditure of approx. USD 8 million. The third option aimed at continuing the production of Jelcz until 1973 and introducing the total of seven thousand new buses in 1972–1975, with the capital expenditure in the amount of USD 55 million.

<sup>37</sup> P. Jaroszewicz, *op. cit.*, p. 182.

<sup>38</sup> Precisely, those buses were: Derliet PR100, Magirus-Deutz M170S11H, Fiat 418, Hino RC620. See W. Winek, *op. cit.*, p. 16.

<sup>39</sup> W. Połomski, *Pojazdy samochodowe i przyczepy Jelcz 1952–1970*, Warszawa 2010, p. 122.



initial stage. At first, the English company Leyland was interested as well, but eventually did not submit any offer as it did not have a bus that met the Polish requirements. The analysis and comparison of the offers indicated that all the buses had a modern construction. Hino, however, was just planning to develop a new body (so far, it was riveted, which the Polish side declined)<sup>40</sup>. On the other hand, Fiat declared that in mid-1974, they would modernize the body of their new bus (it came into use in 1971), which meant that starting the production the same year, Poland could manufacture the latest Italian model.

When it comes to the factory design and license transfer, Fiat and Berliet had the greatest level of experience in the field. Therefore, it was stated that: "The existing license cooperation with Fiat and the possibility of combining the purchase of a bus license with the small-engine car license, and so negotiating better conditions for both, speak in favor of the said company or of Berliet, as it is financially connected with Fiat"<sup>41</sup>.

For the Polish side, it was also extremely important to analyze the proposals with respect to the possible compensation for the expenses of the license acquisition and implementation, and of export. All companies allowed this possibility, but to a very limited extent. Hino substantially offered nothing but declarations. To Fiat, the compensation depended on whether they enter into a contract for a passenger car. The most flexible company was KHD, which expressed its readiness to purchase some versions of buses from Poland<sup>42</sup>. It was estimated that it could compensate for 30–50% of foreign currency expenses incurred in the bus investment. Then again, each company allowed the export of newly manufactured buses, though under certain conditions. However, it was obvious that the possibilities of selling vehicles with the Leyland engine<sup>43</sup>

<sup>40</sup> *Ibidem*, p. 125.

<sup>41</sup> Justification for the decision of the Presidium of the Government regarding the purchase of a bus license, 1971, AAN, PZPR, 774, no page.

<sup>42</sup> Though, there are strong indications that the company did not stand a real chance of signing the contract due to political reasons. In October 1972, during his stay in France, Gierek, stressing his willingness to cooperate with the host country, said outright: "Anyhow, at the beginning of negotiations with Berliet, Germany offered us more favorable conditions. But for political reasons, we cannot have a German bus in Poland". See D. Jarosz, M. Pasztor, *Polska–Francja 1970–1980: relacje wyjątkowe?*, Warszawa 2008, p. 40.

<sup>43</sup> In 1966, Poland launched a licensed production of this engine in Mielec and sought to use it in new buses. See W. Winek, *op. cit.*, p. 3.

abroad would be very limited owing to the “lack of an adapted sales and service network”. For this reason, the Polish side was going to insist on the compensatory deliveries of parts and assemblies for the licensor rather than on the proper export of entire vehicles<sup>44</sup>.

The study of the offers in terms of economic conditions of transactions (license fees, building prototypes, technical assistance and all the patents) revealed that the most attractive offer was made by Hino, cheaper than the others by approx. USD 3.5 million.

Table 2

Unit price of buses (in thousands of USD)

Type of bus	KHD	Fiat	Berliet	Hino
City	27.0	24.5	25.0	25.5
Intercity	28.0	23.0	23.0	21.0

Source: Justification for the decision of the Presidium of the Government regarding the purchase of a bus license, 1971, AAN, PZPR, 774, no page.

Hino’s offer was also characterized by a reasonable unit price of the vehicle (see tab. 2), especially of the intercity version. Unfortunately, the quoted prices referred to the cost of manufacturing in the supplier’s factory. In the initial period, when vehicles were *de facto* assembled in Poland, it entailed the additional cost of transport of the parts, as estimated, 10–15% of the unit price. And that is how Hino’s offer lost its appeal. Other elements determining the economic aspects of the transaction, such as the loans granted by a foreign partner or the amount of Polish capital expenditures in zlotys and in foreign currencies, were comparable. In the opinion of the Ministry of Machine Industry, provided that the offers were remarkably similar, the final choice should depend on the compensatory import and the negotiated unit price of the vehicle<sup>45</sup>.

<sup>44</sup> Justification for the decision of the Presidium of the Government regarding the purchase of a bus license, 1971, AAN, PZPR, 774, no page.

<sup>45</sup> *Ibidem*.

As in the case of the small-engine car, the Economy Department of KC PZPR supported the project. Due to the economic and social importance of the venture, it was recommended to give it a very careful consideration and to take the decision with the participation of all the interested parties, including the Ministry of Foreign Trade, which allegedly had not participated in the initial phase of project preparations. Moreover, the Economy Department stressed the need to define precisely the scope of license purchase, as well as the related *know-how*, the technical assistance and the supply of imported investment goods (from capitalist and socialist countries), and the size of domestic supplies. It was also necessary to determine the size of accompanying investments and related stock<sup>46</sup>. This last element conditioned the timely start of production and the proper operation of the new factory.

The new bus was expected to have the following features: a 185–235 hp engine, the capacity of 100 people in the urban transport version with 35 seats, and 60 seats in the long-distance version; service life of up to 10 years (mileage: complete overhaul every 700 thousand km); modern solutions in adapting the vehicle for intercity and urban transport: low floor, three doors. PLN 2.96 billion was expected to be spent in 1972–1980 on implementation of the project, including foreign exchange expenditures of USD 58–106 million. It was estimated that the machine industry would incur the vast majority of expenditures, PLN 2.55 billion. Importantly, in the mentioned note of the Economy Department of KC, it was clearly stated: "Verifying the amount of these expenditures may reveal their upward trend since the global averages were kept down to the minimum (economical)"<sup>47</sup>. From the foreign exchange expenditures, USD 17 billion was earmarked for investment purchases (the construction of a new factory), PLN 4 million for covering the license expenses, and the remaining PLN 37–85 million was the cost of cooperative purchases until the license was implemented.

The Polish side planned to finalize the contract in the short term, which made it difficult to work out favorable credit conditions. Still, Poland expected to negotiate the financing of capital expenditures

<sup>46</sup> Note on the production of buses, July 19, 1971, AAN, PZPR, 774, no page.

<sup>47</sup> *Ibidem*. The then prime minister also mentioned that understating the costs is a common practice in economic planning. See P. Jaroszewicz, *op. cit.*, p. 183.

for the period of at least eight years, and the interest rate (together with other costs) in the range of 6.5–8%. In addition, according to the assumptions of the Economy Department, the exports made on the basis of the new investment were to finance at least 70% of the total import expenditure. It was also expected that the finalized agreement would translate into various benefits and facilitate economic relations with a given Western country (fiscal reliefs, increased trade quotas, etc.)<sup>48</sup>.

The fact that Polish industry advocated the purchase of a license from a capitalist and not a socialist country (especially HPR and CSSR, but the USSR also produced their own buses<sup>49</sup>), which for ideological reasons must have been important especially to KC PZPR, was ascribed to the fact that the experts assessed the buses of S-11 family from the CSSR to be ineffective in operation, while the Hungarian bus was considered an unfinished construction, and the cooperation with the Hungarian industry was deemed improbable (PRL had a very high negative balance in trade with HPR)<sup>50</sup>. Nevertheless, it was ordered to make sure that all possibilities of cooperation with socialist countries had been examined in detail.

Only with consent of KC PZPR, the Presidium of the Government could pass a resolution regarding the launch of production of “modern and durable buses” in Poland. From the draft of this document it follows that:

1. The Minister of Machine Industry and the Minister of Foreign Trade were authorized to purchase a license for the production of high-capacity (10.5–12 m long) buses for urban, intercity and tourist transport. The choice of a specific offer was determined by the most favorable technical and economic parameters of the vehicle as well as trade terms of the contract. The deal was to be closed by July 31, 1971.
2. The production should start in the years 1971–1975 and in the last year of the said period, reach the target of 3 thousand vehi-

<sup>48</sup> Note on the production of buses, July 19, 1971, AAN, PZPR, 774, no page.

<sup>49</sup> In the early seventies of the 20<sup>th</sup> century, this country produced 47 thousand buses each year. In the available documentation, however, there is no mention of possible purchase of this type of vehicle from the USSR.

<sup>50</sup> On the subject of the difficult negotiations with HPR, see W. Połomski, *op. cit.*, p. 123.

cle per year (in total, by the end of that year, it was planned to produce 3,800 vehicles), with the foreign exchange expenditure set at USD 35 million.

3. A loan and cooperative deliveries for the licensor should cover the foreign exchange expenses related to the production of a new bus<sup>51</sup>.

It should be added that Franciszek Kaim, the Deputy President of the Council of Ministers, was entrusted with supervising the implementation of this resolution, as in the case of the purchase of the Fiat 126p license.

Poland eventually chose the French Berliet, the company with great potential, yet in poor financial condition at the time. Otherwise, the President of France, Georges Pompidou, would not directly tell Gierek, who in October 1972 made an official visit to Paris, that "despite financial difficulties, »the French government will not allow Berliet go bankrupt, there is no such risk«"<sup>52</sup>. These important words were uttered two months after the contract was signed. Yet, it is unlikely that the Polish side had not been aware that their French partner might be in serious troubles. And thus, it is impossible to determine whether the buses from Lyon were chosen for the merit-related reasons.

The contract was signed on August 1, 1972 (over a year later than initially planned) by Andrzej Górecki, the managing director of the Foreign Trade Concern Pol-Mot, and Paul Berliet, the president and general director of Automobiles M. Berliet<sup>53</sup>. It provided for the launch of production in Poland of a bus for urban, intercity and tourist transport, under the French license. The first vehicles, assembled from French parts, were to be built until the end of 1972. Those made of Polish subassemblies, including the Leyland engine from Mielec, appeared in May 1974<sup>54</sup>. However, the three-door

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<sup>51</sup> Draft decision of the Presidium of the Government, 1971, AAN, PZPR, 774, no page; Note on the decision regarding the production of a small-engine passenger car, July 19, 1971, *ibidem*, no page.

<sup>52</sup> D. Jarosz, M. Pasztor, *op. cit.*, p. 40.

<sup>53</sup> W. Połomski, *op. cit.*, p. 126.

<sup>54</sup> The official plan of agreement implementation was as follows: October 21, 1972 – the contract comes into effect; December 31, 1982 – its expiry; the 3<sup>rd</sup> quarter of 1974 – start of production. See Decision No. 19 of the Ministry of Science of Higher Education and Technology, November 12, 1980, AAN, MNSzWiT, 323, p. 100.

buses did not go into serial production until in 1976<sup>55</sup>, which means that the French manufacturer did not have a ready-made three-door bus design, as opposed to the modern two-door vehicle. Thus, signing the license agreement, the Polish government did not comply with their own conditions that had been set at selection stage. But what mattered most in August 1972 was that it was by far the largest commercial contract with a French company, opening the door for the Polish industry to cooperation with the Western partner. In effect, buses constituted the second, after ships, Polish export to France<sup>56</sup>.

Edward Gierek, suspected of favoring Berliet's offer, years later admitted that Polish specialists had suggested that the vehicle proposed by the Italians was too delicate for the Polish climatic conditions, the Japanese, too technically advanced ("packed with electronics", adapted for off-road use, with four-wheel drive), and the Hungarian would only add to the negative balance in trade with HPR (Poland would produce only a body, while Hungary, the engine and all technical systems)<sup>57</sup>. And so he dismissed any suggestion that he could have influenced the choice of this exact offer due to his personal connections with France and the desire to set the tone for his visit in Paris in October 1972. All these explanations probably would not have emerged, if it did not turned out that the purchased vehicle was not adapted to Polish roads and to the service load.

The fact is, the bus was too light and not durable. What is more, its engine was too weak and the Polish side played a part in it as they insisted on using the Leyland's drive unit. It resulted in a high failure rate of the vehicle and complaints about its technical condition<sup>58</sup>. Hence, the Berliet family of buses (for urban, intercity and tourist transit), despite having many advantages such as a unified structure, are not remembered as a good episode in the history of Polish automotive industry. They did not help to ease the problems of domestic transport either. At the beginning of the seventies of the 20<sup>th</sup> century, it was estimated that Poland lacked several

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<sup>55</sup> Z. Podbielski, *op. cit.*, p. 110.

<sup>56</sup> *Umowa kooperacyjna między Pol-Mot a firmą Berliet*, "Handel Zagraniczny" 1972, special issue dedicated to France, p. 25.

<sup>57</sup> Interestingly, Gierek did not mention the fourth offer, the KHD bus. See J. Rolicki, *op. cit.*, p. 95.

<sup>58</sup> W. Morawski, *Dzieje gospodarcze Polski*, Warszawa 2010, p. 278.



thousand buses. After a decade, the situation remained invariably bad, in the years 1976–1980, the three thousand planned vehicles were not produced<sup>59</sup>. This state of affairs, however, was a consequence of the deepening crisis in the Polish industry, which had increasingly more problems with keeping a steady pace of production, and of the disruptions in cooperative imports due to the lack of foreign currency. The Polish substitutes were meant to remedy the situation but unfortunately, they contributed to a further reduction in the quality of a final product. Thus, the failure rate of the Berliet buses had a strong link to the poor condition of the Polish economy.

While the Berliet bus was not an effective answer to the issues of the Polish public transport, Fiat 126p took the national automotive industry to an entirely new level. It can be concluded that the concept of modernizing the Polish automotive industry by launching the licensed production of Western vehicles, which was formulated at the beginning of the seventies of the 20<sup>th</sup> century, turned out to be only partially successful. Moreover, these undertakings prove that the purchase of any modern technology requires a certain level of technological and socioeconomic advancement and properly trained staff. When it comes to Fiat 126p, Poland had previously cooperated with the Italian company, which was not the case with Berliet. There are many indications which show that Poland was not able to take full advantage of the modern bus production technology. Adding to that own problems of the French partner, the undertaken venture was unlikely to succeed.

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KRZYSZTOF LESIAKOWSKI

## **„Aby Polska rosła w siłę...” Koncepcja unowocześnienia polskiej motoryzacji 1971–1972**

Polska pierwszej połowy dekady lat siedemdziesiątych XX w. to czas wielkich przemian. Nowe kierownictwo z I sekretarzem Komitetu Centralnego Polskiej Zjednoczonej Partii Robotniczej Edwardem Gierkiem na czele radykalnie zmieniło dotychczasową politykę, usiłując poprawić materialne warunki życia społeczeństwa i jednocześnie unowocześnić polski przemysł, rozwijać budownictwo mieszkaniowe, ożywiać wymianę handlową z zagranicą. Radykalnych zmian wymagała też polska motoryzacja – tak pojazdy wykorzystywane do użytku prywatnego, jak i do komunikacji zbiorowej. Stąd już na początku 1971 r. podjęto polityczną decyzję o zakupie w krajach zachodnich licencji na małolitrażowy samochód osobowy i nowoczesny autobus. Negocjacje handlowe z firmami Fiat, Citroen, Renault (samochód osobowy) oraz Berliet, Fiat, Hino (Japonia), Kloeckner-Humboldt-Deutz (autobus) nie trwały długo. Już w październiku 1971 r. zawarto umowę z włoskim Fiatem, który zobowiązał się do uruchomienia w Polsce produkcji samochodu fiat 126p i w sierpniu 1972 r. z francuskim Berlietem, który zadeklarował rozpoczęcie wytwarzania nowoczesnego autobusu.

W praktyce fiat 126p wprowadził krajową motoryzację na nieznaną dotąd poziom i stał się bardzo popularnym autem. Natomiast autobus berliet nie był udanym pomysłem na rozwiązanie problemów polskiej komunikacji zbiorowej. Z tego wynika, że stworzona na początku dekady lat siedemdziesiątych XX w. koncepcja modernizacji polskiej motoryzacji, w drodze uruchomienia licencyjnej produkcji zachodnich pojazdów, zaowocowała ograniczonym powodzeniem.

**Słowa kluczowe:** gospodarka polska w XX w., motoryzacja w Polsce, samochody osobowe i autobusy, licencje zagraniczne.