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EUROPEAN COMMISSION

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Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

**on the mobilisation of the European Globalisation Adjustment Fund
in accordance with point 28 of the Interinstitutional Agreement of 17 May 2006
between the European Parliament, the Council and the Commission
on budgetary discipline and sound financial management (application EGF/2010/013
PL/Podkarpackie machinery from Poland)**

EXPLANATORY MEMORANDUM

Point 28 of the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management¹ allows for the mobilisation of the European Globalisation Adjustment Fund (EGF) through a flexibility mechanism, within the annual ceiling of EUR 500 million over and above the relevant headings of the financial framework.

The rules applicable to the contributions from the EGF are laid down in Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 on establishing the European Globalisation Adjustment Fund².

On 27 April 2010, Poland submitted application EGF/2010/013 PL/Podkarpackie for a financial contribution from the EGF, following redundancies in three enterprises operating in the NACE Revision 2 Division 28 ('Manufacture of machinery and equipment')³ in the NUTS II region of Podkarpackie (PL32) in Poland.

After a thorough examination of this application, the Commission has concluded in accordance with Article 10 of Regulation (EC) No 1927/2006 that the conditions for a financial contribution under this Regulation are met.

SUMMARY OF THE APPLICATION AND ANALYSIS

Key data:	
EGF Reference no.	EGF/2010/013
Member State	Poland
Article 2	(b)
Enterprises concerned	3
NUTS II region	Podkarpackie (PL32)
NACE Revision 2 Division	28 ('Manufacture of machinery and equipment')
Reference period	1.6.2009 – 1.3.2010
Starting date for the personalised services	1.8.2009
Application date	27.4.2010
Redundancies during the reference period	594
Redundant workers targeted for support	200
Expenditure for personalised services (EUR)	684 800
Expenditure for implementing EGF ⁴ (EUR)	13 000
Expenditure for implementing EGF (%)	1,9
Total budget (EUR)	697 800
EGF contribution (65 %) (EUR)	453 570

1. The application was presented to the Commission on 27 April 2010 and supplemented by additional information up to 4 August 2010.

¹ OJ C 139, 14.6.2006, p. 1.

² OJ L 406, 30.12.2006, p. 1.

³ Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC regulations on specific statistical domains (OJ L 393, 30.12.2006, p. 1).

⁴ In accordance with the third paragraph of Article 3 of Regulation (EC) No 1927/2006.

2. The application meets the conditions for deploying the EGF as set out in Article 2(b) of Regulation (EC) No 1927/2006, and was submitted within the deadline of 10 weeks referred to in Article 5 of that Regulation.

Link between the redundancies and major structural changes in world trade patterns due to globalisation or the global financial and economic crisis

3. In order to establish the link between the redundancies and the global financial and economic crisis, Poland argues that the machinery production sector is particularly vulnerable to changes in the global economy due to the high share of international trade in global production and thus the direct competition of producers from other countries on the global market. In 2008 the share of exports in the value of sold production from the Polish machine building sector amounted to 45,6 %.
4. The Polish machine building industry was characterised until 2007 by fast growth in production, caused by the rapid development of the Polish economy and good export opportunities. In 2008, the development of the sector was slowed down due to the global financial and economic crisis. In 2009, for the first time in many years, the sector reported a drop in production.
5. Decreased demand in the EU-15 countries (receiving 77,8 % of Polish exports in 2008) strongly contributed to the drop in the value of goods sold abroad, as 8 out of the 10 biggest recipients of Polish machines are EU Member States. The value of export of machinery and equipment from Poland to the EU Member States decreased by over 10 % between 2008 and 2009, while machinery production in total dropped by approximately 8 %.
6. Germany is the key trading partner of Poland, with 23 % of machinery produced in Poland going to that country. Germany itself is strongly dependant on exports and as a result of the crisis it suffered from a 20 % decrease in orders of machinery and equipment in 2009. This had a negative impact on Polish suppliers to the German manufacturers.
7. Other significant importers of Polish machinery and equipment, e.g. Ukraine and Russia, also recorded a drop in the development of the construction sector. In these countries the sector was largely supported by foreign capital. Due to the global crisis these foreign sources of financing decreased significantly, causing a drop in the value of construction and installation works (down by 20 % in Russia and by over 55 % in Ukraine during the first five months of 2009). Huta Stalowa Wola S.A. exports 60 % of its production of construction machinery to the Eastern European countries.
8. The three companies whose workers are targeted for EGF support under this application, were directly affected by the negative trends described above.

Huta Stalowa Wola S.A., one of the largest domestic producers of construction machinery, recorded a 54 % drop in exports in 2009, while only 10 % of its total production was targeted at the domestic market.

In **HSW – Zakład Zespołów Napędowych Sp. z o.o. (HSW - ZZN Sp. z o.o.)**, a producer of power units used in the construction machinery, total sales dropped by 47 % and exports by 34 %.

Zakłady Metalowe DEZAMET S.A. (ZM DEZAMET S.A.), producing parts for road-building, construction and mining machinery noted a 58 % drop in exports between 2008 and 2009.

Demonstration of the number of redundancies and compliance with the criteria of Article 2(b)

9. Poland submitted this application under the intervention criteria of Article 2(b) of Regulation (EC) No 1927/2006, which requires at least 500 redundancies over a nine-month period in enterprises operating in the same NACE Revision 2 Division in one region or two contiguous regions at NUTS II level in a Member State.
10. The application cites 594 redundancies in three enterprises classified in the NACE Revision 2 Division 28 ('Manufacture of machinery and equipment') in the NUTS II region of Podkarpackie (PL32) during the nine-month reference period from 1 June 2009 to 1 March 2010. All of the redundancies were calculated in accordance with the second indent of the second paragraph of Article 2 of Regulation (EC) No 1927/2006.

Explanation of the unforeseen nature of those redundancies

11. The Polish authorities argue that the global economic and financial crisis could not have been foreseen, and that it had a severe impact on the machinery and equipment manufacture industry, as described in paragraphs 3 to 8 above.

Identification of the dismissing enterprises and workers targeted for assistance

12. The application cites a total of 594 redundancies in three firms in the NACE Revision 2 Division 28 in Podkarpackie during the reference period:

Enterprises	Redundancies
Huta Stalowa Wola S.A.	357
Huta Stalowa Wola S.A. – Zakład	139
Zespołów Napędowych Sp. z o.o.	
Zakłady Metalowe DEZAMET S.A.	98
<i>Total</i>	<i>594</i>

Poland estimates that 200 of the redundant workers will apply for assistance from the EGF. According to the Polish authorities the remaining workers are likely to find employment through their own initiative and without requiring assistance from the EGF, or to leave the labour market.

13. The break-down of the targeted workers is as follows:

Category	Number	Percent
Men	154	77,0
Women	46	23,0
EU citizens	200	100,0
Non EU citizens	0	0,0
15-24 years old	21	10,5
25-54 years old	121	60,5
55-64 years old	40	20,0
> 64	18	9,0

14. In terms of professional categories, the break-down is as follows:

Category	Number	Percent
Metal, machinery and related trades workers	108	54,0
Labourers in mining, construction, manufacturing and transport	40	20,0
Office clerks	17	8,5
Stationary plant and related operators	10	5,0
Physical and engineering science associate professionals	10	5,0
Other professionals	7	3,5
Other associate professionals	5	2,5
Corporate managers	1	0,5
Physical, mathematical and engineering science professionals	1	0,5
Drivers and mobile plant operators	1	0,5

15. In accordance with Article 7 of Regulation (EC) No 1927/2006, Poland has confirmed that a policy of equality between women and men as well as non-discrimination has been applied, and will continue to apply, during the various stages of the implementation of and, in particular, in access to the EGF.

Description of the territory concerned and its authorities and stakeholders

16. The territory concerned is Podkarpackie *voivodship* (province) (NUTS II – PL32 Podkarpackie), and in particular the *powiats* (counties/districts) of Stalowa Wola, Nisko and Tarnobrzeg (in NUTS III – PL 326 sub-region of Tarnobrzeg and PL 325 sub-region of Rzeszów).

Podkarpackie province is fifth in area and eighth in population among Poland's sixteen provinces, with an area of 17 845 km² and a population slightly above 2 million. Its capital city is Rzeszów. The three affected districts are all in the northern part of the province.

Stalowa Wola district, with an area of 832 km², has a population of 109 410 (in 2006); Nisko district, with an area of 786 km², has a population of 67 065 (in 2006); Tarnobrzeg district, with an area of 607 km², has a population of 103 338 (in 2006).

17. The principal stakeholders include the provincial and local governments which are involved in the assistance to the redundant workers, through the Provincial Labour Office in Rzeszów and the Labour Offices of the districts in which the firms are located. Also involved in providing assistance to the redundant workers are the Tax Office, the Social Insurance Institution (ZUS), the National Labour Inspectorate (PIP) and the Vocational Career Information and Planning Centres in Tarnobrzeg and Stalowa Wola, as well as Voivodship Employment Council Rzeszów, Regional Chamber of Commerce in Stalowa Wola, Guild of Craftsmen and Other Entrepreneurs in Stalowa Wola, Regional Development Agency in Tarnobrzeg, Chamber of Commerce and Industry in Tarnobrzeg, Industrial Development Agency – Office in Tarnobrzeg.
18. The social partners involved in the implementation of the EGF are the Enterprise Organization of the *Solidarność* (Solidarity) Trade Union, as well as Voivodship Employment Council Rzeszów, Regional Chamber of Commerce in Stalowa Wola,

Guild of Craftsmen and Other Entrepreneurs in Stalowa Wola, Regional Development Agency in Tarnobrzeg, Chamber of Commerce and Industry in Tarnobrzeg, Industrial Development Agency – Office in Tarnobrzeg.

Expected impact of the redundancies as regards local, regional or national employment

19. Poland expects the impact of the redundancies to be locally significant. The redundancies contributed to an increase in unemployment in the districts in question. The redundant workers from the three firms cited in the application made up 3,4 % of the total number of those unemployed in Stalowa Wola district, 2,9 % in Nisko district, 2,3 % in Tarnobrzeg district at the end of February 2010.

The redundant workers accounted for 0,8 % of total employment in the district of Stalowa Wola, 1 % in the district of Nisko and 0,5 % in the district of Tarnobrzeg at the end of February 2010.

In the affected districts of the province there was a considerable increase in the numbers unemployed (all data for the period June 2009 - February 2010): by 20 % in Nisko district, 19 % in Tarnobrzeg district, and 24 % in Stalowa Wola district. The unemployment rate in the three districts was higher than the average for Poland (24 %, 17 % and 15 % respectively compared to 13 % for Poland in February 2010).

Co-ordinated package of personalised services to be funded and a breakdown of its estimated costs, including its complementarity with actions funded by the Structural Funds

20. Poland proposes a package of five separate but coordinated measures in support of the redundant workers. These activities aim to increase the activity and mobility of redundant workers in the labour market, promote entrepreneurship amongst the workers and improve their chances of finding employment, inter alia, by adapting the qualifications of those made redundant to the needs of the labour market. The measures are described in more detail below.
21. Training and retraining – covering the costs of training (including postgraduate studies), travel expenses or the cost of accommodation and meals offered during the training, covering the costs of medical examinations or psychological exams enabling the trainees to obtain certificates, diplomas, professional qualifications or titles, and the cost of obtaining the necessary licences to perform the job. One hundred workers are estimated to benefit from this measure, at an average cost of EUR 2 308 per worker.
22. Allowances for on the job training – for redundant workers below the age of 25 with little professional experience referred by the PLO to this training, an allowance equivalent to 120 % of the unemployment benefit, for a maximum period of 12 months during on-the-job training may be paid as a training allowance, as specified in the contract with the employer. The estimated cost is EUR 3 000 per worker, and it is planned that 10 workers will benefit from this measure.
23. Grants for self-employment and related consultation – grants for start-ups, including the costs of legal assistance, consultation and advice on entering into business. The amount of support is limited to no more than six times the amount of the average monthly salary and, where activity is undertaken under the terms of the social

cooperatives, the amount of funds allocated to the unemployed may not exceed four times the average monthly salary for a founder of a member cooperative, or three times the average monthly salary for a member joining the social cooperative after its formation. Twenty workers are estimated to benefit from this measure, at a cost of EUR 5 200 per worker.

24. Equipment and refitting of workplaces – for employers who take on a redundant worker referred to him/her by the district labour office, the costs of equipment and refitting the workplace for that person are eligible. The amount must be specified in the contract between the employer and the district labour office, but may not exceed six times the average monthly salary. An estimated 50 workers will benefit from this measure at a cost of EUR 5 200 per worker.
25. Allowances for vocational training – practical vocational training for redundant workers lasting from three to 18 months. The trainee is entitled to an allowance amounting to a maximum 120 % of the rate of unemployment benefit. 20 workers are estimated to benefit from this measure, at a cost of EUR 3 000 per worker.
26. The expenditure for implementing the EGF, which is included in the application in accordance with Article 3 of Regulation (EC) No 1927/2006, covers preparatory, management and control activities as well as information and publicity.
27. The personalised services presented by the Polish authorities are active labour market measures within the eligible actions defined by Article 3 of Regulation (EC) No. 1927/2006. The Polish authorities estimate the total costs of these services at EUR 684 800 and the expenditure for implementing the EGF at EUR 13 000 (1,9 % of the total amount). The total contribution requested from the EGF is EUR 453 570 (65 % of the total costs).

Actions	Estimated number of workers targeted	Estimated cost per worker targeted (EUR)	Total costs (EGF and national co-financing) (EUR)
Personalised services (first paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Training and re-training	100	2 308	230 800
Allowances for on-the-job training	10	3 000	30 000
Grants for self-employment and related consultation	20	5 200	104 000
Equipment and refitting of workplaces	50	5 200	260 000
Allowances for vocational training	20	3 000	60 000
Sub total personalised services			684 800
Expenditure for implementing EGF (third paragraph of Article 3 of Regulation (EC) No 1927/2006)			

Preparatory activities			2 000
Management			3 000
Information and publicity			6 000
Control activities			2 000
Sub total expenditure for implementing EGF			13 000
Total estimated costs			697 800
<i>EGF contribution (65 % of total costs)</i>			453 570

28. Poland confirms that the measures described above are complementary with actions funded by the Structural Funds. Poland has put in place the necessary mechanisms to ensure financial separation of actions carried out by the EGF and the Structural Funds as well as to eliminate any risk of double funding.

Date(s) on which the personalised services to the affected workers were started or are planned to start

29. Poland started the personalised services to the affected workers included in the co-ordinated package proposed for co-financing to the EGF, on 1 August 2009. This date therefore represents the beginning of the period of eligibility for any assistance that might be awarded from the EGF.

Procedures for consulting the social partners

30. At the meeting of the provincial Commission for Social Dialogue in Rzeszów on 16 February 2009 the possibility of support from the EGF for the workers made redundant by the three companies in the three affected districts was discussed.

At the meeting of the provincial Employment Board on 3 December 2009 the principles of the EGF were discussed, along with the possibility of applying for its support in Podkarpackie and the possible forms which this support would take.

Information on actions that are mandatory by virtue of national law or pursuant to collective agreements

31. As regards the criteria contained in Article 6 of Regulation (EC) No 1927/2006, the Polish authorities in their application:
- confirmed that the financial contribution from the EGF does not replace measures which are the responsibility of companies by virtue of national law or collective agreements;
 - demonstrated that the actions provide support for individual workers and are not to be used for restructuring companies or sectors;
 - confirmed that the eligible actions referred to above do not receive assistance from other EU financial instruments.

32. The Polish authorities have also confirmed that both EU, as well as national regulations on state aid have been complied with, particularly regarding the actions referred to under point 23.

Management and control systems

33. Poland has notified the Commission that the financial contribution will be managed and controlled by the same bodies that manage and control the European Social Fund (ESF) funding in Poland.

Financing

34. On the basis of the application from Poland, the proposed contribution from the EGF to the coordinated package of personalised services is EUR 453 570, representing 65 % of the total cost. The Commission's proposed allocation under the Fund is based on the information made available by Poland.
35. Considering the maximum possible amount of a financial contribution from the EGF under Article 10(1) of Regulation (EC) No 1927/2006, as well as the scope for reallocating appropriations, the Commission proposes to mobilise the EGF for the total amount referred to above, to be allocated under heading 1a of the financial framework.
36. The proposed amount of financial contribution will leave more than 25 % of the maximum annual amount earmarked for the EGF available for allocations during the last four months of the year, as required by Article 12(6) of Regulation (EC) No 1927/2006.
37. By presenting this proposal to mobilise the EGF, the Commission initiates the simplified triologue procedure, as required by Point 28 of the Interinstitutional Agreement of 17 May 2006, with a view to securing the agreement of the two arms of the budgetary authority on the need to use the EGF and the amount required. The Commission invites the first of the two arms of the budgetary authority that reaches agreement on the draft mobilisation proposal, at appropriate political level, to inform the other arm and the Commission of its intentions. In case of disagreement by either of the two arms of the budgetary authority, a formal triologue meeting will be convened.
38. The Commission presents separately a transfer request in order to enter in the 2011 budget specific commitment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.

Source of payment appropriations

39. The 2011 budget showing payment appropriations of EUR 47 608 950 on budget line 04.0501 "European Globalisation Adjustment Fund (EGF)", this budget line will be used to cover the amount of EUR 453 570 needed for the present application.

Proposal for a

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**on the mobilisation of the European Globalisation Adjustment Fund
in accordance with point 28 of the Interinstitutional Agreement of 17 May 2006
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on budgetary discipline and sound financial management (application EGF/2010/013
PL/Podkarpackie machinery from Poland)**

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management⁵, and in particular point 28 thereof,

Having regard to Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 establishing the European Globalisation Adjustment Fund⁶, and in particular Article 12(3) thereof,

Having regard to the proposal from the Commission⁷,

Whereas:

- (1) The European Globalisation Adjustment Fund (EGF) was established to provide additional support for workers made redundant as a result of major structural changes in world trade patterns due to globalisation and to assist them with their reintegration into the labour market.
- (2) The scope of the EGF was broadened for applications submitted from 1 May 2009 to include support for workers made redundant as a direct result of the global financial and economic crisis.
- (3) The Interinstitutional Agreement of 17 May 2006 allows the mobilisation of the EGF within the annual ceiling of EUR 500 million.
- (4) Poland submitted an application to mobilise the EGF in respect of redundancies in three enterprises operating in the NACE Revision 2 Division 28 ('Manufacture of machinery and equipment') in the NUTS II region of Podkarpackie (PL32) on 27 April 2010 and supplemented it by additional information up to 4 August 2010. This application complies with the requirements for determining the financial contributions

⁵ OJ C 139, 14.6.2006, p. 1.

⁶ OJ L 406, 30.12.2006, p. 1.

⁷ OJ C [...], [...], p. [...].

as laid down in Article 10 of Regulation (EC) No 1927/2006. The Commission, therefore, proposes to mobilise an amount of EUR 453 570.

- (5) The EGF should, therefore, be mobilised in order to provide a financial contribution for the application submitted by Poland.

HAVE ADOPTED THIS DECISION:

Article 1

For the general budget of the European Union for the financial year 2011, the European Globalisation Adjustment Fund (EGF) shall be mobilised to provide the sum of EUR 453 570 in commitment and payment appropriations.

Article 2

This Decision shall be published in the *Official Journal of the European Union*.

Done at [Brussels/Strasbourg],

For the European Parliament
The President

For the Council
The President