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EUROPEAN COMMISSION

Brussels, 5.11.2010
COM(2010) 631 final

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/2010/006 PL/H.Cegielski-Poznań 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) 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 8 March 2010, Poland submitted application EGF/2010/006 PL/H.Cegielski-Poznań for a financial contribution from the EGF, following redundancies in H. Cegielski-Poznań and four of its suppliers.

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/2010/006
Member State	Poland
Article 2	(a)
Primary enterprise	H. Cegielski-Poznań
Suppliers and downstream producers	4
Reference period	1.9.2009 – 1.1.2010
Starting date for the personalised services	3.11.2009
Application date	8.3.2010
Redundancies during the reference period	550
- in the main enterprise	371
- in the suppliers and downstream producers	179
Redundancies before the reference period	75
Redundancies after the reference period	33
Total eligible redundancies	658
Redundant workers targeted for support	189
Expenditure for personalised services (EUR)	163 700
Expenditure for implementing EGF ³ (EUR)	12 070
Expenditure for implementing EGF (%)	6,9
Total budget (EUR)	175 770
EGF contribution (65 %) (EUR)	114 250

1. The application was presented to the Commission on 8 March 2010 and supplemented by additional information up to 10 August 2010.

¹ OJ C 139, 14.6.2006, p. 1.

² OJ L 406, 30.12.2006, p. 1.

³ 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(a) 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 explains that H.Cegielski-Poznań is a manufacturer of two-stroke diesel engines used to drive ships, and also used at power plants. It also produces radial air blowers, piston and rotary compressors. The core business of H.Cegielski-Poznań is the manufacture of marine diesel engines under licences from MAN Burmeister & Wain and Wärtsilä Switzerland Ltd (the licences are valid until the end of 2012). H.Cegielski-Poznań is the only Polish manufacturer of marine engines, and its production is closely linked to the condition of the European shipbuilding industry, particularly that of Germany and Denmark.
4. CESA (the Community of European Shipyards Association) has prepared a Guestimate on World Shipbuilding Requirements until 2014, which states that the global financial crisis had changed several of the conditions and expectations for the future development of the market. A combination of factors brought about reduced shipbuilding requirements and by the end of 2008 / beginning of 2009, the placement of new orders came to an almost complete halt. In addition, about 10 % of new ship orders are expected to be cancelled. Several of the ships on order will have their delivery dates postponed.
5. CESA estimates that some 30 % of the fleet in 2011 will be surplus and that therefore some 53 million deadweight tons (dwt) out of a total orderbook of 566 million dwt will be cancelled. Already, the crisis has caused a high number of inactive ships and ships operating at slow speeds around the world. In the future, the shipbuilding industry is expected to move to low cost areas, mainly in Asia, which have been increasing their market share spectacularly in the years leading up to the crisis (source : Lloyds Register Fairplay, as quoted by CESA). It is therefore unlikely that the companies concerned by this application could potentially return to normal production at the end of the crisis.

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

6. Poland submitted this application under the intervention criteria of Article 2(a) of Regulation (EC) No 1927/2006, which requires at least 500 redundancies over a four-month period in an enterprise in a Member State, including workers made redundant in its suppliers or downstream producers.
7. The application cites 550 redundancies in H.Cegielski-Poznań and four of its suppliers during the reference period from 1 September 2009 to 1 January 2010. All of these 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

8. The Polish authorities argue that the severity of the global credit crisis and the resultant impact on the financial markets was impossible to predict. Even though the EU share of the world shipbuilding market had been declining for some years (from 24,0 % in 2001 to 14,8 % in 2008 according to CGT), this decline accelerated abruptly when the global financial and economic crisis struck, with the EU share of global ship production down to from 14,8 % in 2008 to 8,1 % by 31 August 2009.

Identification of the dismissing enterprises and workers targeted for assistance

9. The application cites a total of 550 redundancies in H.Cegielski-Poznań and four of its suppliers during the four-month reference period. Including a further 108 workers made redundant before and after the reference period, the break-down of the total number of 658 workers is:

Company	Number	Method
H.Cegielski-Poznań	371	2
H.Cegielski-Logocentrum Sp. z o.o.	25	2
H.Cegielski-Remocentrum Sp. z o.o.	35	2
Arwimont Spółdzielnia Pracy	15	2
Sulzer Chemtech Polska Sp. z o.o.	212	2

10. Of this total of 658 workers, 189 are targeted for assistance. The 469 workers not targeted had not registered as unemployed at their local labour office and are therefore assumed to have either already found a new job or started self-employment, or emigrated or retired.

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

Category	Number	Percent
Men	156	82,5
Women	33	17,5
EU citizens	189	100,0
Non EU citizens	0	0,0
15-24 years old	7	3,7
25-54 years old	154	81,5
55-64 years old	28	14,8
> 64 years old	0	0

One worker has a long-standing health problem / disability.

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

Category	Number	Percent
Corporate Managers	7	3,7
Physical, mathematical and engineering science professionals	25	13,2
Other professionals	4	2,1
Physical and engineering science associate professionals	17	9,0
Other associate professionals	8	4,2
Office clerks	13	6,9
Customer service clerks	2	1,1
Extraction and building trade workers	7	3,7

Metal, machinery and related trades workers	77	40,8
Precision, handicraft, printing and related trades workers	2	1,1
Stationary plant and related operators	1	0,5
Machine operators and assemblers	12	6,3
Drivers and mobile plant operators	6	3,2
Labourers in mining, construction, manufacturing and transport	8	4,2
Total	189	100,0

13. 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

14. The redundancies which occurred in H.Cegielski-Poznań are located in the city of Poznań as well as Poviát of Poznań, where the rate of unemployment has been lower than in the rest of Poland (3,3 % as against 9,1 % in Wielkopolskie as a whole, or 11,9 % in Poland). At the same time, unemployment in the area has risen much more steeply in the affected area, where the numbers of unemployed have almost doubled (+89 %) from 7 942 at the end of 2008 to 15 024 at the end of 2009. This increase was considerably higher than that for Wielkopolskie Voivodship (+46 %) or for Poland as a whole (+28 %).
15. In the area concerned, support to persons affected by group lay-offs is provided by the Marshal of the Wielkopolskie Voivodship, the office of the Deputy Mayor of Poznań, and the Voivodship and Poviát Labour Offices in Poznań. A partner in the project is the Poznań Voivodship Employment Council, including both employer organisations and trade unions active in the region.

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

16. At the same time when the redundancies of H.Cegielski-Poznań were being felt in the labour market of Poznań city and Poviát, the number of job offers was decreasing, with reduced chances for new jobs for workers made redundant. Employers had to reduce operating costs (particularly related to staff) in order to carry on during the difficult economic situation. According to information presented by the PLO in Poznań, in the year 2009 (in the territory concerned) job offers concerned mainly such sectors as: trade, financial services, protection of property, construction industry and services. Hence, taking into account the categories of workers made redundant from H.Cegielski-Poznań and its suppliers and downstream producers (mainly metal, machinery and related trades), this group would have slimmer chances of finding a new job matching their previous qualifications. The application therefore focuses on supporting the workers in retraining.
17. At the end of March 2009 in Poznań city and Poviát, the number of working persons was about 441 000. The 658 redundancies in H.Cegielski-Poznań and its suppliers and downstream producers represent 0,15 % of the working population, but 3,8 % of those registered as unemployed. The impact of these redundancies on the local labour market is thus rather visible.

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

18. As a first step in providing assistance to the workers within their period of notice, the Poviát Labour Office organised a meeting at the company H.Cegielski-Poznań. At this meeting, workers to be made redundant were provided with detailed information about forms of assistance available to them and were asked, by means of a questionnaire, what types of assistance they wished to receive. Based on the results, a timetable for the provision of the personalised measures for each worker was proposed.
19. Secondly, upon registration at the Poviát Labour Office, each worker was advised individually by job market specialists. During these meetings, workers' job expectations were verified, taking into account their qualifications, acquired work experience, local labour market demand and the opinion of an occupational medical doctor concerning their health. In most cases, an additional individual meeting with a careers officer was organised, as was a session on job-search skills. This enables those targeted for assistance to verify their job plans, choose the most suitable forms of active labour market policy (ALMP) measures and gain the self-confidence needed for job search.
20. As far as training is concerned, the EGF project ultimate beneficiaries take part both in individual and group training opportunities, including postgraduate studies. In the first quarter of 2010 a 'roadmap' for all those registered as unemployed at the PLO in Poznań was approved. Each worker targeted for EGF-assisted measures may benefit from various types of the assistance (that is, can take more than one measure).
21. The following types of measures are proposed, all of which combine to form a co-ordinated package of personalised services aimed at re-integrating the workers into the labour market.
 - Tailor-made training and retraining: This includes diagnosing training needs of job-seekers, covering the costs of training (including postgraduate studies), travel expenses or the cost of accommodation and meals provided during the training, covering the costs of medical or psychological examinations enabling the workers to obtain certificates, diplomas, certain qualifications or professional titles, and the cost of obtaining the necessary licenses to perform the job.
 - Aid to self-employment: This consists of a one-off grants for business start-ups, including the costs of legal assistance, consultation and advice on registering the business. The grant can amount to no more than six times the national average salary. Where the activity is undertaken under the terms of the social cooperatives, the amount allocated to the redundant worker may not exceed four times the average salary for a founder member, or three times the average salary for a member joining the social cooperative after its foundation.
 - Training allowances: This includes scholarships for the people referred to training.
22. The expenditure for implementing 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.

23. 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 163 700 and the expenditure for implementing EGF at EUR 12 070 (6,9 % of the total amount). Given the small size of the total budget, this higher level is acceptable. The total contribution requested from the EGF is EUR 114 250 (65 % of the total costs).

Actions	Estimated number of workers targeted	Estimated cost per worker targeted (in EUR)	Total costs (EGF and national cofinancing) (in EUR)
Personalised services (first paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Training and re-training	134	350	46 900
Aid for self-employment	18	5 000	90 000
Training allowances	134	200	26 800
Sub total personalised services			163 700
Expenditure for implementing EGF (third paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Preparatory activities			1 650
Management			5 250
Information and publicity			4 170
Control activities			1 000
Sub total expenditure for implementing EGF			12 070
Total estimated costs			175 770
EGF contribution (65 % of total costs)			114 250

24. Poland confirms that the measures described above are complementary with actions funded by the Structural Funds. The ESF will, in particular, support the workers, if need be, with complementary long-term measures. It will also focus on supporting other persons in the immediate environment of the EGF-supported persons, who may also be affected by adverse effects of the lay-offs. The Poviats Labour Offices, entrusted with the active labour market policy measures proposed in this package, are also responsible for some of the ESF-funded measures. For optimum effect, they will strive to complement the main forms of support (from EGF, ESF and national sources) in the customised service package.
25. Some of the employees affected by layoffs have already taken part in reintegration projects co-financed by the ESF. Fifty persons dismissed from H.Cegielski-Poznań took advantage of the “Outplacement -- Your Opportunity” project co-financed by the ESF and organised by Wielkopolska Agencja Rozwoju Przedsiębiorczości Sp. z o.o. In addition, persons planning to set up a business of their own attended the course organised by WARP and co-financed by the ESF and entitled “ABC of How to Set up Your Own Business”. The training was attended by 20 persons of the 50 who had participated in the initial training.

26. Poznań Centre for Continuous and Practical Education offered the project “Man -- The Best Investment -- Confirm Your Skills” co-financed by the ESF. Seven laid-off persons enrolled, but the project is not yet confirmed.
27. Employees of Sulzer Chemtech Polska S.A., H. Cegielski - Logocentrum Sp. z o.o., H. Cegielski - Remocentrum Sp. z o.o. and ARWIMONT Spółdzielnia Pracy have not received any aid co-financed by the European Social Fund.

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

28. Poland started the personalised services to the affected workers included in the co-ordinated package proposed for co-financing to the EGF, on 3 November 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

29. The EGF as such was presented to the meeting of the Voivodship Employment Council in Poznań on 17 February 2010. This meeting also discussed the measures planned as part of the co-ordinated package of customised service; the social stakeholders, including both employer organisations and trade unions were present.
30. The Polish authorities confirmed that the requirements laid down in national and Community legislation concerning collective redundancies have been complied with.

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 Community financial instruments.

Management and control systems

32. Poland has notified the Commission that the financial contribution will be managed and controlled by the Ministry of Regional Development, Department for European Social Fund Management. The Intermediate Body will be the Voivodship Labour Office in Poznań, the Paying Authority will be the Ministry of Finance, Department of Paying Authority, and the implementing bodies will be the Poviats Labour Offices responsible. In this way, the EGF systems will be very similar to those of the ESF.

Financing

33. On the basis of the application from Poland, the proposed contribution from the EGF to the co-ordinated package of personalised services is EUR 114 250, representing 65 % of the total cost. The Commission's proposed allocation under the Fund is based on the information made available by Poland.
34. 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 above, to be allocated under heading 1a of the financial framework.
35. 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.
36. By presenting this proposal to mobilise the EGF, the Commission initiates the simplified dialogue procedure, as required by Point 28 of the Inter-institutional 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 dialogue meeting will be convened.
37. The Commission presents separately a transfer request in order to enter in the 2010 budget specific commitment and payment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.

Source of payment appropriations

38. In the current state of implementation, it is foreseeable that the payment appropriations available in 2010 under the budget line 01.0404 'Competitiveness and Innovation Framework Programme – Entrepreneurship and Innovation Programme' will not be fully used this year.
39. Indeed, this line covers expenditure related to the implementation of the financial instrument of this programme, the main objective of which is to facilitate the access of SMEs to finance. Some time lag exists between transfers to the trust accounts managed by the European Investment Fund and disbursement to the beneficiaries. The financial crisis has a major effect on the forecasts in terms of disbursements for 2010. As a result, in order to avoid excessive balances on the trust accounts, the methodology for calculation of payment appropriations has been reviewed, taking into account the expected disbursements. The amount of EUR 114 250 can therefore be made available for transfer.

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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 management⁴, 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 Fund⁵, and in particular Article 12(3) thereof,

Having regard to the proposal from the European Commission⁶,

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 the enterprise H.Cegielski-Poznań Poland S.A., on 8 March 2010 and supplemented it by additional information up to 10 August 2010. This application complies with the requirements for determining the financial contributions as laid down in Article 10 of Regulation (EC) No 1927/2006. The Commission, therefore, proposes to mobilise an amount of EUR 114 250.

⁴ OJ C 139, 14.6.2006, p. 1.

⁵ OJ L 406, 30.12.2006, p. 1.

⁶ OJ C [...], [...], p. [...].

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

HAVE DECIDED AS FOLLOWS:

Article 1

For the general budget of the European Union for the financial year 2010, the European Globalisation Adjustment Fund (EGF) shall be mobilised to provide the sum of EUR 114 250 in commitment and payment appropriations.

Article 2

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

Done at,

For the European Parliament
The President

For the Council
The President