Mobilisation of the European Globalisation Adjustment Fund: redundancies in the automotive industry in Poland

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in the automobile industry in Poland.

PROPOSED ACT: Decision of the European Parliament and of the Council.

CONTENT: the European Globalisation Adjustment Fund (EGF) was established by Council Regulation No 1927/2006 to provide additional support to redundant workers who suffer from the consequences of major structural changes in world trade patterns and to assist them with their reintegration into the labour market.

The Interinstitutional Agreement of 17 May 2006 on budgetary discipline 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 Commission services have carried out a thorough examination of the application submitted by Poland to mobilise the EGF. The main elements of the assessment are as follows:

Poland:application EGF/2010/004PL/Wielkopolskie Automotive from Poland: on 5 February 2010, Poland submitted application EGF/2010/004 PL/Wielkopolskie Automotive for a financial contribution from the EGF, following redundancies in two enterprises operating in the NACE Revision 2 Division 29 (manufacture of motor vehicles, trailers and semi-trailers)3 in the NUTS II region Wielkopolskie (PL41) in Poland. The application was supplemented by additional information up to 6 July 2010.

In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation or the global financial and economic crisis, Poland argues that the redundancies in the automotive sector can be directly attributed to the global financial and economic crisis. It cites statistics showing that in 2008 and 2009 there were reductions in the number of registrations of new passenger cars in Europe by about 8% and 6.6% respectively. As a significant part (ca. EUR 17.6 billion per year) of the Polish automotive industry production is exported, mainly within the EU, a drop in demand abroad has a strong impact on the manufacturing companies in Poland. At the end of the first half of 2009, the number of employees in the industry was 179 000, or about 16.4% (or 35 000) less than in the same period in 2008. The automotive industry accounted for 29.7% of the number of workers who lost their jobs in the first half of 2009 in the private sector.

Some of the manufacturers of car components are considering the possibility of transferring their production to African countries due to the loss of competitive advantage by Poland, which will result in a further reduction in employment in the automotive industry. With respect to the firms covered by the application, the SEWS Polska Production Plant consolidated its production in its plant in Leszno (also in Poland), and in Romania. Leoni Autokabel Polska moved its activities out of the EU to Ukraine.

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. The

application cites 1 596 redundancies in the NACE Revision 2 Division 29 (manufacture of motor vehicles, trailers and semi-trailers) in the NUTS II region of Wielkopolskie (PL41) during the nine-month reference period from 1 March 2009 to 30 November 2009.

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.

On the basis of the application from Poland, the proposed contribution from the EGF to the coordinated package of personalised services is **EUR 633 077**, representing 65% of the total cost.

IMPACT ASSESSMENT: no impact assessment was carried out.

FINANCIAL IMPLICATION: 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 of **EUR 633 077** to be allocated under heading 1a of the financial framework.

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.

By presenting this proposal to mobilise the EGF, the Commission initiates the simplified trialogue 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 trialogue meeting will be convened.

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.