COUNCIL OF
THE EUROPEAN UNION

Brussels, 7 March 2014
(OR. en)

7303/14

FIN 180
SOC 178

PROPOSAL

From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	5 March 2014
To:	Mr Uwe CORSEPIUS, Secretary-General of the Council of the European Union
No. Cion doc.:	COM(2014) 119 final
Subject:	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 13 of the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management (application EGF/2012/007 IT/VDC Technologies from Italy)

Delegations will find attached document COM(2014) 119 final.

Encl.: COM(2014) 119 final

EUROPEAN
COMMISSION

Brussels, 5.3.2014
COM(2014) 119 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 13 of the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management (application EGF/2012/007 IT/VDC Technologies from Italy)

EXPLANATORY MEMORANDUM

Article 12 of Council Regulation (EU, Euratom) No 1311/2013 laying down the multiannual financial framework for the years 2014-2020[1] allows for the mobilisation of the European Globalisation Adjustment Fund (EGF) within the annual ceiling of EUR 150 million (2011 prices) over and above the relevant headings of the financial framework.

The rules applicable to the contributions from the EGF for applications submitted until 31 December 2013 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 Fund[2].

On 31 August 2012, Italy submitted application EGF/2012/007 IT/VDC Technologies for a financial contribution from the EGF, following redundancies in VDC Technologies SpA and one supplier in Italy.

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/2012/007
Member State	Italy
Article 2	(a)
Primary enterprise	VDC Technologies SpA
Suppliers and downstream producers	1
Reference period	26.2.2012 – 25.6.2012
Starting date for the personalised services	30.11.2012
Application date	31.8.2012
Redundancies during the reference period	1 164
Redundancies before and after the reference period	54
Total eligible redundancies	1 218
Redundant workers expected to participate in the measures	1 146
Expenditure for personalised services (EUR)	5 698 620
Expenditure for implementing EGF[3] (EUR)	323 350
Expenditure for implementing EGF (%)	5,4 %
Total budget (EUR)	6 021 970
EGF contribution (50 %) (EUR)	3 010 985

1. The application was presented to the Commission on 31 August 2012 and supplemented by additional information up to 6 September 2013.

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.

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1 OJ L 347, 20.12.2013, p. 884.
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.

Link between the redundancies and major structural changes in world trade patterns due to globalisation

3. The enterprises concerned are VDC Technologies SpA and a supplier, Cervino Technologies Srl, which is a 100 % subsidiary of VDC Technologies SpA. VDC Technologies SpA manufactured television sets and television monitors and displays as well as air-conditioning units. Cervino Technologies Srl manufactured plastic mouldings used in television sets and television monitors and displays. The sectors of economic activity concerned are classified under NACE[4] division 26 'Manufacture of computer, electronic and optical products' and division 27 'Manufacture of electrical equipment'.

4. In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, Italy argues that the sectors concerned in the EU have undergone serious economic disruption due to intensified competition from third countries, particularly China.

5. Between 2008 and 2011, imports from China into the EU-27 of products classified under SITC[5] division 76 'Telecommunications and sound-recording and reproducing apparatus and equipment' increased by 18.7 %. During the same period, China's share of imports into the EU-27 of such products increased from 44.0 % to 52.2 %[6]. This change in world trade patterns can be considered to have had a significant impact on employment levels, as around 121 000 jobs have been lost in the sector of the manufacture of computer, electronic and optical products in the EU during the period 2008-2011, which represents a reduction by 7 %[7].

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

6. Italy 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 and downstream producers.

7. The application cites 1 164 redundancies in VDC Technologies during the four-month reference period from 26 February 2012 to 25 June 2012 and a further 54 redundancies outside the reference period, but related to the same collective redundancy procedure. 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 Italian authorities argue that whereas, between 2007 and the end of 2009, VDC Technologies had been one of the largest producers of television sets in volume

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4 Statistical Classification of Economic Activities revision 2. http://ec.europa.eu/eurostat/ramon/nomenclatures/index.cfm?TargetUrl=LST_NOM_DTL&StrNom=NACE_REV2&StrLanguageCode=EN&IntPcKey=&StrLayoutCode=HIERARCHIC

5 Standard International Trade Classification revision 4. http://unstats.un.org/unsd/publication/SeriesM/SeriesM_34rev4E.pdf

6 Source: Eurostat (online data code: DS_018995).

7 Source: Eurostat (online data code: lfsq_egan22d).

terms in the EU, at the end of 2009 VDC Technologies SpA permanently ceased all productive activities at its plant in Anagni (Frosinone) and the workers were admitted to benefit from the *cassa integrazione guadagni* (CIG) scheme[8]. According to the Italian authorities, this situation was caused by various factors such as a reduction in demand for plasma screen television sets in favour of LCD screen sets, the adverse euro/dollar exchange rate from 2008 onwards and a reduction in market prices for television sets partly because of decreasing manufacturing costs.

9. Actions were taken to revive the company and negotiations for the takeover of VDC Technologies SpA were initiated in 2010 and 2011 with a potential buyer. However, as no agreement was reached with its creditors, VDC Technologies SpA was declared in bankruptcy on 25 June 2012. Cervino Technologies Srl was declared in bankruptcy on 5 September 2012.

Identification of the dismissing enterprises and workers targeted for assistance

10. The application relates to 1 218 redundancies (1 164 in VDC Technologies SpA and 54 in Cervino Technologies Srl).

11. The Italian authorities have estimated that 1 146 of the redundant workers will participate in the coordinated package of personalised services.

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

Category	**Number**	**Percent**
Men	1 057	92,2
Women	89	7,8
EU citizens	1 145	99,9
Non EU citizens	1	0,1
15-24 years old	0	0,0
25-54 years old	713	62,2
55-64 years old	432	37,7
> 64 years old	1	0,1

13. From the workers targeted for assistance, 69 have a longstanding health problem or disability.

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

Category	**Number**	**Percent**
Technicians and associate professionals	1 097	95,7
Clerical support workers	27	2,4
Service and sales workers	22	1,9

15. In accordance with Article 7 of Regulation (EC) No 1927/2006, Italy 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

[8] The CIG scheme consists in a financial benefit paid by the Istituto Nazionale della Previdenza Sociale – INPS (National Social Security Institute) to workers suspended from work performance or working reduced hours.

16. The establishments of VDC Technologies SpA and Cervino Technologies Srl in which the redundancies have occured are located in the NUTS 3 level region ITI45 Frosinone in the NUTS 2 level region ITI4 Lazio.

17. The authorities in charge of implementing the measures are the Italian Ministry of Labour and Social Policies and the Lazio Region (Directorate-General for Policies for Labour and Systems for Guidance and Training).

18. The Italian authorities have established a local support network composed of representatives of local and regional authorities (municipalities, province, region), trade unions (CGIL USB, CISAL, CISL, UIL, UGL), and employers organisations.

<u>Expected impact of the redundancies as regards local, regional or national employment</u>

19. According to the Italian authorities, economic activity and employment in the Lazio region have been strongly affected by globalisation. In 2011, regional GDP decreased by −0.3 %[9] and data for the first half of 2012 show a reduction in exports in the region's main industrial sectors (−28.3 % for petroleum products, −19 % for transport means, −6.3 % for chemical products, −0.7 % for electronics[10]). Total employment in Lazio fell by −0.2 % in 2011 and by −0.7 % in the first quarter of 2012. The unemployment rate in Lazio has increased from 8.5 % in 2009 to 10.8 % in 2012[11].

20. To limit the impact of this economic situation, the Italian authorities have made extensive use of instruments such as the CIG. According to the Italian authorities, in the first seven months of 2012, total CIG support increased by 31 % in Lazio, which was more than for Italy as a whole. In the province of Frosinone, there was a substantial increase in the number of hours for industry (from 1.9 million to 3.9 million).

21. The redundancies are therefore set against a regional and local context in which the number of employees in industry is contracting. The Italian authorities expect the redundancies to have a strong negative impact on the labour market in the area and to worsen the economic situation in the area, particularly among the company's suppliers.

<u>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</u>

22. All the following measures combine to form a co-ordinated package of personalised services which aims at re-integrating the redundant workers into employment:

   – <u>Occupational guidance/ skills assessment (Orientamento professionale/bilancio di competenza)</u>: All targeted workers will receive personalised information, advice and tutoring services provided through the local employment centres which will serve as an interface between workers and occupational guidance service providers.

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9 Source: ISTAT.

10 Source: Banca d'Italia.

11 Source: Eurostat.

– Training (Formazione): All targeted workers will participate in training courses in areas and sectors with good developments prospects and that correspond to recognised needs in the labour market.

– Service to individuals (Servizi alla persona/Voucher di conciliazione): Workers living with persons who need care (such as dependent children, elderly persons or disabled persons) will receive a lump-sum payment of up to EUR 1 000 per worker to cover the cost of care services.

– Bonus for territorial mobility (Bonus per la mobilità territoriale): Workers recruited by enterprises located more than 100 km from their place of residence will receive a mobility allowance of up to EUR 5 000 per worker to cover removal and travel costs. The allowance will be paid only on presentation of evidence of the costs incurred. Regular checks will be carried out to monitor the allocation of these funds.

– Support to entrepreneurship (Supporto all'imprendiorialità): Workers will be able to participate in a call for proposals to present a business project. The Lazio Business Innovation Centre (BIC Lazio) will select the projects to be supported, which will receive legal, administrative, marketing, and financial advice from BIC Lazio and a contribution of a maximum amount of EUR 2 000 per worker to cover start-up costs and the cost of the services offered by BIC Lazio.

– Recruitment bonus (Bonus assunzione): Enterprises that take on redundant workers with permanent contracts or fixed-term contracts of at least 24 months will receive a recruitment incentive of EUR 6 000 per worker.

– Participation allowance (Indennità di partecipazione): Workers who participate in the job search and training measures will receive a participation allowance of an average amount of EUR 500 per month for a maximum duration of four months. The amount of each allowance will be calculated according to the actual participation of each worker in those measures.

23. 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.

24. The personalised services presented by the Italian authorities are active labour market measures within the eligible actions defined by Article 3 of Regulation (EC) No 1927/2006. The Italian authorities estimate the total costs at EUR 6 021 970, of which the expenditure for personalised services at EUR 5 698 620 and the expenditure for implementing the EGF at EUR 323 350 (5,4 % of the total amount). The total contribution requested from the EGF is EUR 3 010 985 (50 % of the total costs).

Actions	Estimated number of workers targeted	Estimated cost per worker targeted (EUR)	Total costs (EGF and national cofinancing) (EUR)
Personalised services (first paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Occupational guidance/ skills assessment (Orientamento professionale/bilancio di competenza)	1 146	470	538 620
Training (Formazione)	1 146	2 000	2 292 000
Service to individuals (Servizi alla persona/Voucher di conciliazione)	150	1 000	150 000
Bonus for territorial mobility (Bonus per la mobilità territoriale)	42	5 000	210 000
Support to entrepreneurship (Supporto all'imprendiorialità)	300	2 000	600 000
Recruitment bonus (Bonus assunzione)	300	6 000	1 800 000
Participation allowance (Indennità di partecipazione)	54	2 000	108 000
Sub total personalised services			**5 698 620**
Expenditure for implementing EGF (third paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Preparatory activities			40 350
Management			100 000
Information and publicity			35 000
Control activities			148 000
Sub total expenditure for implementing EGF			**323 350**
Total estimated costs			**6 021 970**
EGF contribution (50 % of total costs)			***3 010 985***

25. Italy confirms that the measures described above are complementary with actions funded by the Structural Funds and that any double financing will be prevented.

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

26. Italy started the personalised services to the affected workers included in the co-ordinated package proposed for co-financing to the EGF on 30 November 2012. 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

27. According to the Italian authorities, all social partners involved participated in a meeting held by the national and regional authorities in January 2013, during which actions to reintegrate the redundant workers in the labour market were discussed. Meetings of the social partners took place up to June 2013, and a local support network was activated with the involvement of various local partners.

28. The Italian authorities confirmed that the requirements laid down in national and EU legislation concerning collective redundancies have been complied with.

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

29. As regards the criteria contained in Article 6 of Regulation (EC) No 1927/2006, the Italian 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.

Management and control systems

30. Italy has notified the Commission that the financial contribution will be managed at national level by the Italian Ministry of Labour and Social Policies (Directorate-General for Active and Passive Policies), within which one unit (*ufficio*) is acting as managing authority, a second unit is acting as certifying authority and a third unit is acting as audit authority. The Lazio Region will act as the intermediate body for the managing authority at regional level. The application contains a detailed description of the management and control system which specifies the responsibilities of the organisations involved at national and regional level.

Financing

31. On the basis of the application from Italy, the proposed contribution from the EGF to the coordinated package of personalised services (including expenditure to implement EGF) is EUR 3 010 985, representing 50 % of the total cost. The Commission's proposed allocation under the Fund is based on the information made available by Italy.

32. Considering the maximum possible amount of a financial contribution from the EGF under Article 12 of Council Regulation (EU, Euratom) No 1311/2013, as well as the scope for reallocating appropriations, the Commission proposes to mobilise the EGF for the total amount referred to above.

33. The proposed decision to mobilise the EGF will be taken jointly by the European Parliament and the Council, as laid down in point 13 of the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management[12].

34. The Commission presents separately a transfer request in order to enter in the 2014 budget specific commitment appropriations, as required under point 13 of the Interinstitutional Agreement of 2 December 2013.

<u>Source of payment appropriations</u>

35. Appropriations allocated to the EGF budget line in the 2014 budget will be used to cover the amount of EUR 3 010 985 needed for the present application.

[12] OJ C 373, 20.12.2013, p. 1.

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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 Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 establishing the European Globalisation Adjustment Fund[13], and in particular Article 12(3) thereof,

Having regard to the Interinstitutional Agreement between the European Parliament, the Council and the Commission of 2 December 2013 on budgetary discipline, on cooperation in budgetary matters and on sound financial management[14], and in particular point 13 thereof,

Having regard to the proposal from the European Commission[15],

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 EGF shall not exceed a maximum annual amount of EUR 150 million (2011 prices), as laid down in Article 12 of Council Regulation (EU, Euratom) No 1311/2013 laying down the multiannual financial framework for the years 2014-2020[16].

(3) Italy submitted an application to mobilise the EGF, in respect of redundancies in the enterprise VDC Technologies SpA and one supplier, on 31 August 2012 and supplemented it by additional information up to 6 September 2013. 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 3 010 985.

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13 OJ L 406, 30.12.2006, p. 1.
14 OJ C 373, 20.12.2013, p. 1.
15 OJ C […], […], p. […].
16 OJ L 347, 20.12.2013, p. 884.

(4) The EGF should, therefore, be mobilised in order to provide a financial contribution for the application submitted by Italy,

HAVE ADOPTED THIS DECISION:

Article 1

For the general budget of the European Union for the financial year 2014, the European Globalisation Adjustment Fund (EGF) shall be mobilised to provide the sum of EUR 3 010 985 in commitment and payment appropriations.

Article 2

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

Done at Brussels,

For the European Parliament	*For the Council*
The President	*The President*