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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/2010/011 NL/NXP Semiconductors from the Netherlands)**

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 26 March 2010, the Netherlands submitted application EGF/2010/011 NL/NXP Semiconductors for a financial contribution from the EGF, following redundancies in NXP Semiconductors Netherlands BV (hereinafter 'NXP') in the Netherlands.

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/2010/011
Member State	Netherlands
Article 2	(a)
Enterprise concerned	NXP Semiconductors Netherlands BV
Suppliers and downstream operators	None
Reference period	1/10/2009 to 31/1/2010
Starting date for the personalised services	1/10/2009
Application date	26/3/2010
Redundancies during the reference period	590
Redundancies before or after the reference period	0
Redundant workers targeted for support	512
Personalised services: budget in EUR	2 672 395
Expenditure for implementing EGF ³ : budget in EUR	111 350
% expenditure for implementing EGF	4 %
Total budget in EUR	2 783 745
EGF contribution EUR (65 %)	1 809 434

1. The application was presented to the Commission on 26 March 2010 and supplemented by additional information up to 3 June 2010.

¹ OJ C 139, 14.6.2006, p. 1.

² OJ L 406 of 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 structural changes in world trade patterns due to globalisation, the Netherlands argues that the market for semiconductors⁴ is a highly competitive global market with a limited number of big players. The 20 biggest manufacturers in 2009 represented 63 % of the global market⁵. This imposes a continuous pressure on manufacturers to reduce costs. The Netherlands refers to the much lower salaries for semiconductor manufacturers in Asia. The direct salary costs in the Netherlands are 54 % higher than in Singapore, for example, and for the indirect salary costs the difference is 47 %. On the basis of annual sales data provided by iSuppli Corporation Europe's market share decreased from 14,9 % in 2005 to 11,2 % in 2009, whereas for the biggest players in Asia it increased from 39,7 % in 2005 to 43,3 % in 2009. The exchange rate EUR/USD created a further comparative disadvantage for European manufacturers, as the costs are incurred in EUR and the products sold in USD.
4. The Netherlands further argue that the impact of the changes in world trade was further aggravated by the economic and financial crisis, as the market for semiconductors is highly sensitive to changes in economic growth. In April 2009 the world-wide turnover in semiconductors dropped by 25,1 % compared to April 2008.

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

5. The Netherlands 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.
6. The application cites 590 redundancies in a single enterprise – NXP – during the four-month reference period from 1 October 2009 until 31 January 2010. Of these redundancies, 473 were calculated in accordance with the first indent and 117 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

7. The Dutch authorities argue that, despite the fact that NXP has during recent years made significant efforts to reduce its manufacturing costs in order to remain competitive on the global market, it could not be foreseen that manufacturers of semiconductors in Asia would improve their competitive position so significantly.

⁴ A semiconductor is a substance with electrical conductivity intermediate between that of an insulator and a conductor. It is a basic component of various kinds of electronic circuit element used in communications, control and detection technology and in computers.

⁵ Based on the ranking established on an annual basis by iSuppli Corporation.

The cost reductions by NXP were not sufficient to compensate for the comparative advantage offered by low salaries in Asia. The current economic and financial crisis constitutes an additional factor that could not have been foreseen.

Identification of the dismissing enterprises and workers targeted for assistance

8. The application cites a total of 590 redundancies in a single enterprise NXP, of whom 512 are targeted for assistance. The remaining workers are expected to find employment through their own initiative without requiring assistance from the EGF, or to leave the labour market.

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

Category	Number	Percent
Men	425	83
Women	87	17
EU citizens	486	95
Non EU citizens	26	5
15 to 24 years old	1	> 0
25 to 54 years old	450	88
55 to 64 years old	61	12

There are 7 workers (1,3 %) with a longstanding health problem or disability included in the categories above.

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

Category	Number	Percent
Manager	10	2
Professional	20	4
Technicians	24	4
Clerical support workers	14	3
Service and sales workers	4	1
Plant and machine operators and assemblers	440	86

11. In accordance with Article 7 of Regulation (EC) No 1927/2006, the Netherlands 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

12. NXP is located in Nijmegen in the province of Gelderland (NUTS II region NL22) and in Eindhoven in the province of Noord Brabant (NUTS II region NL41). The territory most concerned by the redundancies is Nijmegen and its surroundings as most of the redundancies occurred in the production site of NXP in Nijmegen.

13. The responsible authority is the Dutch Ministry of Social Affairs and Employment. NXP, through its mobility centre called 'NXT Job', is delegated to carry out the measures. Other stakeholders involved are the municipalities of Nijmegen and Eindhoven, the trade unions FNV ('Federale Nederlandse Vakbeweging') Bondgenoten, CNV ('Christelijk Nationaal Vakverbond in Nederland'), Dienstbond, De Unie and VHPP ('Belangen Vereniging Hoger opgeleid Personeel'), the offices in Nijmegen and Eindhoven of the public organisation

responsible for paying allowances UVW ('Uitvoeringsinstituut WerknemersVerzekeringen') Werkbedrijf, the regional training centres in Nijmegen and Eindhoven, Hoge School Arnhem Nijmegen, Avans Hogescholen, Technical University Eindhoven, the organisation Learning and Working Nijmegen ('Leren en Werken Nijmegen').

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

14. Of the 590 redundancies, 526 occurred in Nijmegen and 76 in Eindhoven. The Dutch authorities argue that the redundancies in Nijmegen will have a significant local impact as NXP is the biggest industrial employer in the area. It provided jobs to a large number of low skilled workers, who have worked for decades in this enterprise. The lack of job opportunities in similar enterprises in the region will be particularly problematic for workers with a highly specialised experience in manufacturing. According to the Netherlands the situation in Eindhoven, where the redundancies concern mainly the R&D activities is somewhat different. The redundant NXP workers have experience, but this is only relevant within a limited market segment, and other R&D enterprises in the region are suffering from the economic and financial crisis.
15. As a consequence of the economic and financial crisis, the Dutch authorities predict that the economic situation in all provinces in the Netherlands in 2010 will be worse compared to the years before the crisis. Therefore, the redundancies in NXP have only served to aggravate the already existing situation.

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

16. The following types of measures are proposed, all of which combine to form a coordinated package of personalised services aimed at re-integrating the workers into the labour market. These measures will be provided through NXT Job, the mobility centre created by NXP.
 - Starting phase and job-to-job accompaniment: This covers collective information meetings about the available measures, the intake and registration of the dismissed workers, the appointment of an individual mentor available for the duration of their re-integration, the identification of the most suitable types of measures. It also includes job to job accompaniment that is composed of tailor-made programmes including screening, the establishment of a career and vocational action plan, application training and providing information on job vacancies as well as actively contacting potential new employers.
 - Training and re-training: This covers vocational training. The individual training paths are based on labour market demand and are identified in close co-operation between dismissed workers, social partner organisations (employer and employee organisations) as well as interested stakeholders in the region concerned.
 - Recognition of prior experience: This covers the evaluation of prior knowledge and experience of each individual worker as well as the identification of areas where further training is required.

17. The expenditure for implementing EGF, which is included in the application in accordance with Article 3 of Regulation (EC) No 1927/2006, covers management and control activities as well as information and publicity.
18. The personalised services presented by the Dutch authorities are active labour market measures within the eligible actions defined by Article 3 of Regulation (EC) No 1927/2006. The Dutch authorities estimate the total costs of these services at EUR 2 672 395 and the expenditure for implementing EGF at EUR 111 350 (=4 % of the total amount). The total contribution requested from the EGF is EUR 1 809 434 (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)			
<u>Starting phase and job-to-job accompaniment</u> (<i>startfase en begeleiding 'van werk naar werk'</i>)	512	3 583	1 834 496
Training (<i>scholing</i>) (221	3 453	763 113
Recognition of prior experience (<i>Erkenning van eerder Verworven Competenties – EVC</i>)	61	1 226	74 786
Sub total personalised services			2 672 395
Expenditure for implementing EGF (third paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Management			27 837
Information and publicity			27 837
Control activities			55 675
Sub total expenditure for implementing EGF			111 350 *
Total estimated costs			2 783 745
<i>EGF contribution (65 % of total costs)</i>			<i>1 809 434</i>

* Total does not tally due to rounding.

19. The Netherlands confirms that the measures described above are complementary with actions funded by the Structural Funds, in particular with a specific ESF training project⁶ for workers in enterprises involved in the manufacturing of semiconductors, the timing of which partly coincides with the EGF implementation period. The managing authority for the EGF, which is also the managing authority for the ESF, has put in place the necessary control procedures 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

20. The Netherlands started the personalised services to the affected workers included in the co-ordinated package proposed for co-financing to the EGF, on 1 October 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

21. The social partners (FNV Bondgenoten, CNV Bedrijvenbond, De Unie en VHPP) were involved in the design and the approval of the package of measures. The responsibility for the mobility centre is with the employer NXP. The trade union organisations are represented in a steering group, which is responsible for monitoring the progress of the measures, as well as in an accompanying committee, which is responsible for monitoring the working method of NXT Job and the implementation of the social plan.
22. The Dutch 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

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

24. The Netherlands has notified the Commission that the financial contributions will be managed and controlled by the same bodies that manage and control the European

⁶ 2009ESFN451 Stichting Opleidings- en ontwikkelingsfonds voor semiconductor productiebedrijven.

Social Fund (ESF) funding in the Netherlands. The Agency for Social Affairs and Employment ('Agentschap SZW') will be the intermediate body for the managing authority. Furthermore, as the coordinated package of personalised measures will be carried out by NXP, a covenant was concluded on 5 March 2010 between the Ministry of Social Affairs and NXP laying down the obligations of NXP as regards the organisation and the verifiable nature of the relevant administrative records.

Financing

25. On the basis of the application from the Netherlands, the proposed contribution from the EGF to the coordinated package of personalised services is EUR 1 809 434, representing 65 % of the total cost. The Commission's proposed allocation under the Fund is based on the information made available by the Netherlands.
26. 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.
27. 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.
28. By presenting this proposal to mobilise the EGF, the Commission initiates the simplified dialogue 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 dialogue meeting will be convened.
29. 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

30. 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.
31. 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 1 809 434 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 management⁷, 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 Fund⁸, and in particular Article 12(3) thereof,

Having regard to the proposal from the European Commission⁹,

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) The Netherlands submitted an application to mobilise the EGF, in respect of redundancies in the enterprise NXP Semiconductors Netherlands BV on 26 March 2010 and supplemented it by additional information up to 3 June 2010. This application complies with the requirements for determining the financial contributions

⁷ OJ C 139, 14.6.2006, p. 1.

⁸ OJ L 406, 30.12.2006, p. 1.

⁹ 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 1 809 434.

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

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 1 809 434 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