

Toy Safety Public Hearing: Monday, 23 June 2008.



**ROBERT PODLES - Chairman of the
POLISH TOY ASSOCIATION**

**European Parliament, Brussels
23 June 2008**

I speak today on behalf of the Polish Toy Association – Polish Toy Industry

Polish Toy Association welcome the European Commission proposal for a new Toy Safety Directive.

The protection of children is our highest concern. Our members will never compromise on safety.

Existing toy safety regulations are detailed and effective. Consumer safety and the competitiveness of reputable traders depend on the investment of greater resources in enforcement.

We agree, in general, with the approach towards CMRs. However, many questions concerning the application, interpretation and enforcement, particularly of CMR category 3 restrictions are unsolved.

Issues that require further attention in this regard are:

- The development of appropriate risk assessment methods for identification and quantification of CMRs;
- The development of new testing procedures involving the implementation of different, more sensitive testing equipment and techniques;
- Improvements to production process control;
- How the scientific committee will prioritize its workload so that bottlenecks and delays can be avoided;

The issues mentioned above, whilst presenting challenges for large businesses, will impact most seriously upon small businesses, small test laboratories and enforcement authorities.

It is, therefore, clear that the transitional period for this legislation must be sufficiently long to give the industry and regulators a realistic time frame to implement the new rules and avoid restrictions on the free movement of goods within the EU.

The time frame should be in our opinion:

- 2 years for the Member States to transpose the legislation; and
- At least 7 years for the industry to comply with the legislation (the two time periods should run concurrently)

Some information regarding POLISH TOY INDUSTRY

- More than 99% of companies in Polish Toy Business are small enterprises barely making a profit and hiring minimal number of employees.

For the last four years the number of companies in Polish Toy Industry is decreasing.

For example in 2004 the total number of companies was 1345 and in 2007 only 1246 , so 8% less.

94% companies employs less than 10 workers and only one company employs more than 250 workers.

- Far-reaching changes proposed by the European Comision might result in bankruptcy and liquidation up to 40% of small enterprises in Poland.
- According to our estimate, **10 000 people** are employed in Toy Business in Poland. After the implementation of the above changes up to **4 000 employees** might be left without a job.
- Moreover, changes proposed will cause a sharp increase in the prices, consequently blocking the development of Polish Toy Market.

It is worth to mention how important is toy price for the Polish consumer. Over 53% of toys bought in 2006 and 7 were toys bought at retail price belowe 3 EUR. It was aproxemetly 11% of sales value. Those statistic show how important is price for Polish consumers.

It is very important to underline that there are mainly small and non-series production companies in Poland

After the implementation of proposed changes, those companies will decrease production.

In our opinion small-series and large-series production can not be evaluated according to the same criteria.

Therefore, it is absolutely essential to differentiate regulations for these two spheres of production.

Non-series and small-series production should be treated separately, as for large-series production **special regulations** should be applied.

The CE mark

- Polish Toy Association supports the Commission's proposal to maintain the CE mark for toys. Additional or different marking systems are unlikely to improve toy safety.
- In order to avoid confusion and to ensure workability, the EU must maintain a common horizontal approach to the use of the CE mark across all industries.
- The value of the CE mark must be ensured through adequate enforcement in terms of resources, personnel and Member State funding.
- To ensure a uniform approach with the New Approach, ongoing efforts to review and bring changes to the CE mark should apply equally to all sectors (not specifically to toys).

General

- Higher prices that are likely to result from the new Directive will be more difficult for low income families to absorb, particularly as families in Poland are already concerned about inflation and increases in the price of fuel and food.
- Low income families are more likely to purchase at the street market where there is a bigger probability to find non-conforming toys. If the new Directive is not workable and testing costs are raised unnecessarily, this risk will be higher not lower.
- The new high testing cost will have a disproportionately high impact on small producers.
- High increases in testing costs will limit the capacity for enforcement authorities to control the market.
- Storage of Toy Compliance Documentation - Proposed 10 years period following the launch of a toy will double the costs for filing system and will be at variance with Polish legislation (e.g. tax regulations) according to which Entrepreneur is obliged to store documentation for period of 5 years.

PRICE INCREASES: The most conservative estimates on the increased costs of testing are tenfold. The additional costs related to testing will have a disproportionately high impact on the smaller production runs that are characteristic of SMEs – it is much easier for larger companies with larger production runs to cope with this. For SMEs this means that it will no longer be economically viable to produce some toys and that we simply may not be able to compete price-wise against the biggest players in the market. We also will be competing against other products which are not as highly regulated as toys.

COMPETITIVENESS: The toy industry in Poland, unlike other sectors, has never benefited from protective trade measures. We have survived, maintained an innovative and dynamic industry. We consist of small companies which are often located in regions that have traditionally made toys for many, many years. It would be somewhat ironic therefore if the EU was to impose rules that were so burdensome and costly that made it impossible for us to survive.

Thank you

Employment in Polish Toy Industry

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	2004 COMPANIES	2005 COMPANIE	2006 COMPANIE	2007 COMPANIE
TOTAL NUMBER OF COMPANIES	1 345	1 321	1 268	1 246
0-9 employees	1 248	1 232	1 189	1 167
10-49 employees	82	76	66	67
50-249 employees	14	12	12	11
> 250 employees	1	1	1	1



VALUE OF SOLD TOY PRODUCTION IN POLAND 2003, 2004, 2005, 2006

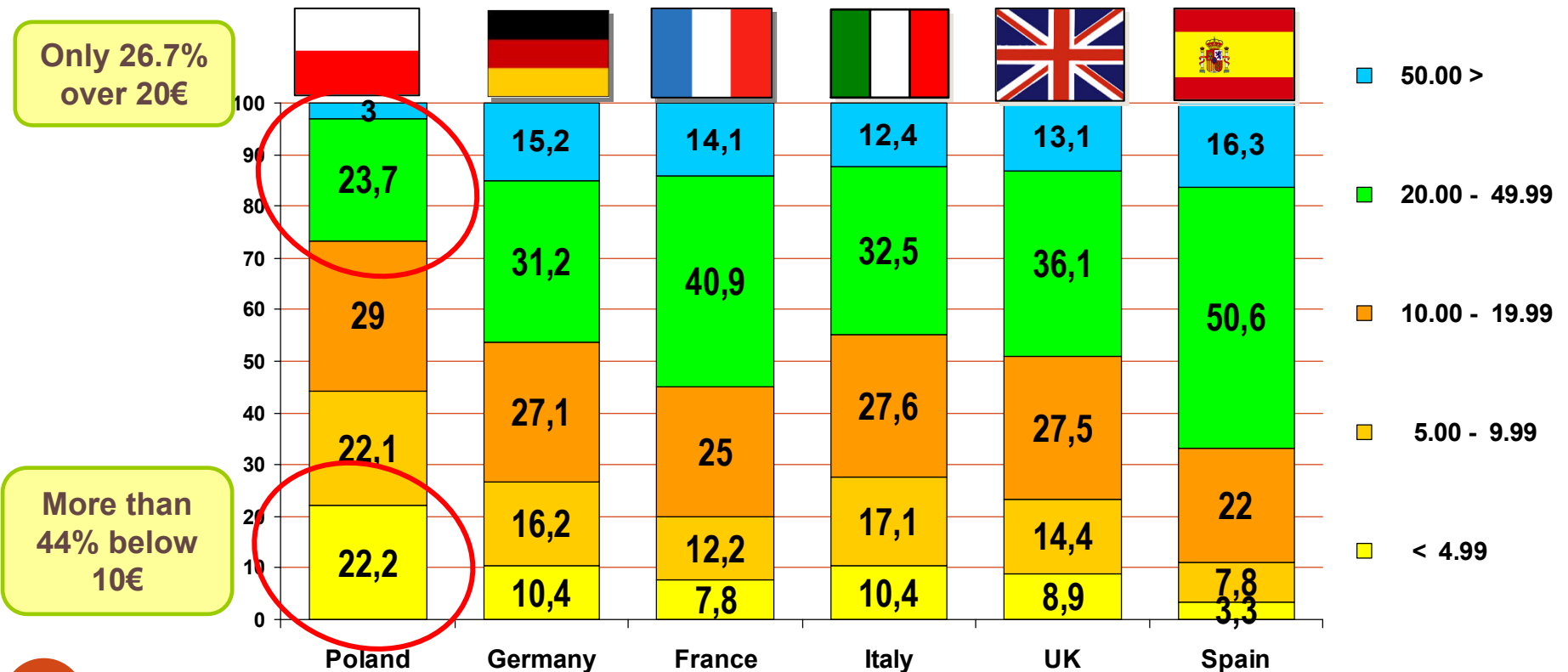
YEAR	VALUE OF SOLD PRODUCTION IN POLAND IN PLN	VALUE OF SOLD PRODUCTION IN POLAND IN EURO
2003	304 906 000 PLN	90 022 000 EURO
2004	298 195 000 PLN	88 041 000 EURO
2005	270 676 000 PLN	79 916 000 EURO
2006	290 454 000 PLN	85 755 000 EURO

1 EURO = 3,3870 PLN
2008.06.17



Structure of Sales per Price Class: A Comparison with More Mature Markets

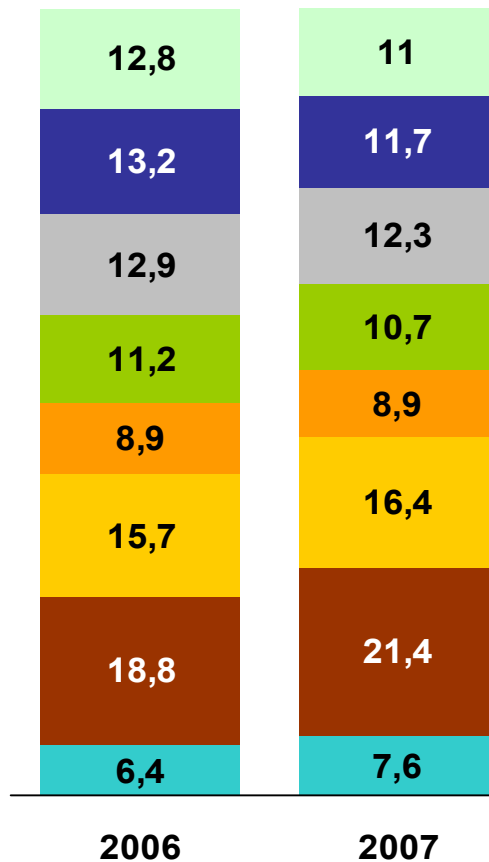
Share Value (%) – January -December 2007



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Value (%)



Volume (%)

