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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 27.10.2009
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2009/0167 (COD)

Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the mobilisation of the European Globalisation Adjustment Fund

EXPLANATORY MEMORANDUM

The Interinstitutional Agreement of 17 May 2006[1] 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. Eligibility rules applicable to the contributions from the Fund are laid down in Regulation EC N° 1927/2006 of the European Parliament and of the Council of 20 December 2006establishing the European Globalisation Adjustment Fund (EGF) [2]. This Regulation has been last amended by Regulation (EC) N° 546/2009[3] which broadens the scope for application of EGF. The amended Regulation is applicable for applications received as of 1 May 2009.

The Commission services have carried out a thorough examination of the applications submitted by Sweden, Austria and the Netherlands in accordance with Regulation (EC) N° 1927/2006 and in particular with Articles 1, 2, 3, 4, 5 and 6 thereof.

The most important elements of the assessments can be summarised as follows:

Case EGF/2009/007 SE/ Volvo

1. The application was presented to the Commission on 5 June 2009 by the Swedish authorities. It was based upon the specific intervention criteria of 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.

   Since this application was received after 1 May 2009, it was assessed (in accordance with Article 2 of Regulation (EC) No 546/2009 of the European Parliament and of the Council of 18 June 2009 amending Regulation (EC) No 1927/2006 on establishing the European Globalisation Adjustment Fund) on the basis of the modified rules laid down in Regulation (EC) No 546/2009.

2. Sweden submitted this application under the intervention criteria of Article 2(a) of Regulation (EC) No 1927/2006, as amended, which requires at least 500 redundancies over a four-month period. This period runs from 1 December 2008 to 31 March 2009. The application concerns 4 687 workers dismissed from 26 production sites, of whom 2 258 were dismissed by Volvo Cars. The supplier companies laid off between 7 and 299 workers per site.

3. Of the total number of 4 687 redundant workers, 3 126 registered with the Public Employment Service.

4. In order to establish the link between the redundancies and the global financial and economic crisis, Sweden argues that the crisis has affected the automotive sector particularly severely, citing the Commission Communication of 25 February 2009 on responding to the crisis in the European automotive industry[4]. As the nature of the current crisis is global, all markets are affected, and there are few, if any, growth

[1] OJ C 139, 14.6.2006, p. 1.
[2] OJ L 406 of 30.12.2006, p. 1.
[3] OJ L 167of 29.06.2009, p. 26.
[4] COM(2009) 104 final.

areas left to make up for the steep decline in most countries. Volvo Cars, owned by the global Ford Motor Corporation, is exposed to the problems facing the American car market, which has been particularly seriously affected. The current difficulties in access to credit are another major concern to Volvo Cars and its suppliers, as regards both production and sales, since potential consumers are now limited in their access to funds.

5. The global financial and economic crisis led to a rapid decrease in demand for cars worldwide. The decline in demand, which started in 2008, was unforeseeable for the Swedish government, and happened at an unprecedented rate and speed, as the financial crisis unfolded. Previous business cycles had been slower and more regional in nature, making it possible for the car industry to adapt in an orderly manner. In the current crisis, on the other hand, markets have been hit simultaneously all over the world, affecting both consumer demand and access to credit.

6. The local and regional impact is set out as follows in the application:

73 % of the redundancies occurred in the NUTS II (nomenclature of territorial units for statistics) region Västsverige. While this region is close to the national average in terms of per capita gross domestic product (GDP), it has been suffering from an increase in bankruptcies by 43 % during the first quarter of 2009 as compared with the same quarter of 2008. Layoffs during the last quarter of 2008 and the first quarter of 2009 were almost nine times higher than during the same period a year earlier.

The automotive industry is the single most important industrial cluster in Sweden. In 2007, over 77 000 people were employed in the automotive sector, of whom 39 000 worked in the county of Västra Götaland. A new report has calculated that a total of 60 000 to 70 000 workers are employed in the broader automotive industry (with its suppliers in other sectors) in that county, which equals some 8 to 9 % of its total employment.

The region of Västsverige is suffering not only the redundancies from Volvo Cars, but also those from Saab and Volvo AB[5] and their suppliers. The number of unemployed workers in March 2009 was 60 % higher than in March 2008. In some municipalities, the redundancies from the automotive industry represent a high percentage of total employment, e.g. in Färgelanda (8.1 %), Olofström (6 %) and Dals-Ed (4.2%).

The Swedish authorities estimate that 1 000 job losses in the automotive industry would entail further indirect redundancies of 1 600 in the business and trade sectors, as well as in transport, construction, private services and haulage. In addition, the highly developed research and development (R&D) sector would also be affected, as the automotive industry is responsible for 16 % of Sweden's R&D expenditure.

In conclusion, in these circumstances, the redundancies can be seen to have a significantly negative effect on the local and regional economy.

[5] Volvo AB is the Swedish mother company in a global concern manufacturing heavy vehicles and similar products. Volvo AB sold Volvo Cars to Ford in 1999.

7. The Swedish authorities estimate that some 1 500 workers will take up the offer of the EGF package.

8. As regards the fulfilment of the criteria set out in Article 6 of Regulation (EC) No 1927/2006, the Swedish 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;

have given assurances 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 above do not receive assistance from other Community financial instruments.

In conclusion, for the reasons set out above, it is proposed to accept application **EGF/2009/007 SE/Volvo** submitted by Sweden relating to the redundancies in Volvo Cars and 23 of its suppliers and downstream producers, as evidence of a direct and demonstrable link has been provided that these redundancies result from the global financial and economic crisis. A co-ordinated package of eligible personalised services has been proposed of which the requested contribution of the EGF is **EUR 9 839 674**.

Case EGF/2009/009 AT/Steiermark

9. The Austrian authorities submitted the application to the Commission on 9 July 2009 and supplemented it by additional information on 23 July and 18 August 2009. It was based upon specific intervention criteria of Article 2(b) of Regulation (EC) No 1927/2006, and was submitted within the deadline of 10 weeks referred to in Article 5 of that Regulation.

10. Austria submitted this application under the intervention criterion of Article 2(b) of Regulation (EC) No 1927/2006, which requires at least 500 redundancies over a 9 month period in a NACE 2 (statistical classification of economic activities) sector in one region or two contiguous regions at NUTS II level.

11. The application cites a total of 744 redundancies during the 9-month period of reference in 9 enterprises operating in NACE Revision 2 division 29 ('manufacture of motor vehicles, trailers and semi-trailers') in a single NUTS II region, Styria (AT22). This period runs from 27 August 2008 to 27 May 2009. 588 of these redundancies were calculated in accordance with the first indent of paragraph 2 of Article 2 of Regulation (EC) No 1927/2006 and 156 redundancies were calculated in accordance with the second indent of the same provision.

12. In order to establish the link between the redundancies and the global financial and economic crisis, Austria argues that the crisis has led to a sharp decrease in the world-wide demand for cars. The application cites EUROSTAT trade figures concerning the export of road vehicles in general and passenger cars in particular. Between January 2008 and January 2009 the export of road vehicles from the Community-27 to countries outside the Community decreased by 47,7 % and for passenger cars by 52,5 %. For Austria, for the same period, the decline in exports was even more pronounced: for road vehicles exports decreased by 51,3 % and for

passenger cars by 59,4 %. Given the high degree of interdependence among enterprises within the automotive sector and the low level of diversification of many suppliers, the crisis is being felt throughout the automotive cluster.

13. The Austrian authorities argue that the redundancies in the automotive sector have to be seen against the background of the current crisis. The fact that this crisis was unforeseeable, is illustrated by the radical downwards revisions of the forecasts concerning real GDP growth which have been repeatedly made by international bodies, such as the European Commission and the Organisation for Economic Co-operation and Development (OECD), since early 2008. The application cites for example the GDP forecasts made by the European Commission in November 2007 (plus 2,1 % growth) compared with that of January 2009 (minus 1,9 % growth). In the automotive sector, the financial crisis, the global setback in economic activities, the increasing difficulties in getting access to credit and the increasing uncertainty, caused inter alia by the volatility of prices for crude oil and motor fuels, led to a sharp and unpredicted decrease in sales volumes.

14. The local and regional impact is set out as follows in the application:

The Land of Styria, where the redundancies occurred, suffers from structural weaknesses, in particular a relatively small share of the services sector, an export oriented economy and a high dependence on the demand in the automotive sector. In 2008, the automotive industry in Styria represented 2,8 % of employment (against only 1,4 % for Austria) and taking into account its downstream suppliers and producers this share amounts to about 7,5 %. This makes the region particularly vulnerable to the impacts of the global crisis. The area around Graz where most of the dismissing enterprises are located will be significantly impacted. In 2008, the average number of unemployed falling within the responsibility of the regional labour market office of Graz was 11 318. The 744 redundant workers in the present application represent an increase of about 7 %.

In conclusion, in these circumstances, the redundancies can be seen to have a significantly negative effect on the local and regional economy.

15. The application concerns 744 redundancies in the 9 enterprises, of which 400 are targeted for EGF assistance.

16. As regards the fulfilment of the criteria set out in Article 6 of Regulation (EC) No 1927/2006, the Austrian authorities in their application:

confirmed that the financial contribution from the EGF does not replace measures that are the responsibility of companies under 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 above do not receive assistance from other Community financial instruments.

In conclusion, for the reasons set out above, it is proposed to accept application EGF/2009/009 AT/Steiermark submitted by Austria, relating to the redundancies in 9 enterprises in Styria involved in manufacturing activities falling under NACE Revision 2 division 29 ('manufacture of motor vehicles, trailers and semi-trailers'), as evidence of a direct and demonstrable link has been provided that these redundancies result from the global financial and economic crisis. Therefore, a co-ordinated package of eligible personalised services has been proposed of which the requested contribution of the EGF is **EUR 5 705 635.**

Case EGF/2009/011 NL/Heijmans N.V.

17. The Netherlands submitted the application to the Commission on 4 August 2009. It was based upon the specific intervention criteria 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.

    Since this application was received after 1 May 2009, it was assessed (in accordance with Article 2 of Regulation (EC) No 546/2009 of the European Parliament and of the Council of 18 June 2009 amending Regulation (EC) No 1927/2006 on establishing the European Globalisation Adjustment Fund) on the basis of the modified rules laid down in Regulation (EC) No 546/2009.

18. 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 or downstream producers.

19. The application cites 570 redundancies in one enterprise Heijmans N.V. during the four-month period of reference from 29 January 2009 to 29 May 2009. 474 of these redundancies were calculated according to the provisions of Article 2 the first indent of the second paragraph of Regulation (EC) No 1927/2006 and 96 were calculated according to the provisions of the second indent of the same provision.

20. In order to establish the link between the redundancies and the global financial and economic crisis, the Netherlands argue that the construction sector was one of the first economic sectors to be affected by the crisis. Since early 2008 the prices of raw materials such as steel, fuel and various materials for road construction increased exponentially. This affected the profit margin of construction firms and resulted in an increased demand for project financing through loans, which became subject to very strict rules. Simultaneously, due to declining consumer confidence, low house prices and high mortgage costs the demand for new houses and offices declined. Due to the economic crisis investors have been reluctant to engage in new building projects. It is expected that construction of new houses will decline by 10,5 % in 2009 and by 11 % in 2010[6] and new utility building projects will diminish by 6 % in 2009 and by 10 % in 2010[7]. This decline in demand has a strong negative impact on employment in the construction sector.

21. The financial and economic crisis has led to a sudden collapse of the world economy with enormous impact on many sectors. The economic situation since 2008 has not followed the trends of previous years. This is not a gradual economic decline, for which companies could have been prepared. Before the crisis, Heijmans N.V. made significant investments to become certified as eligible to undertake railway

6 EIB – Dutch Economic Institute for the Construction Industry, January 2009
7 Ibid.

construction works in the Netherlands and to expand its activities in other Member States of the Community. This company strategy and related investments would have been delayed if the company had been able to foresee the crisis.

22. The local and regional impact is set out as follows in the application:

The applicant argues that the redundancies will have an impact at all three levels. At the national level, because Heijmans N.V. has subsidiaries located all around the Netherlands, workers were made redundant in the following locations: Groningen, Leeuwarden, Assen, Hengelo, Eindhoven, Best, Rosmalen, Tilburg, Breda and Rotterdam. At the regional level, because about 40 % of the redundancies occurred in the province of Northern Brabant. At the local level, because 15 % of the redundancies occurred in Rotterdam. Both the province of Northern Brabant and the city of Rotterdam already in 2008 had an above-average decline in economic activity. In conclusion, in these circumstances, the redundancies can be seen to have a significantly negative effect on the local and regional economy.

The Dutch authorities argue that, besides the 570 workers dismissed during the reference period, more than 400 additional job losses occurred at Heijmans N.V., mostly affecting workers with fixed-term contracts. Furthermore, several hundreds of work places were lost involving hired self-employed people working for various projects of Heijmans N.V. all around the Netherlands. The significant decline of the activities of Heijmans N.V. will also impact suppliers in the areas of transportation, equipment, consulting and installation.

In conclusion, in these circumstances, the redundancies can be seen to have a significantly negative effect on the local, regional and national economy.

23. The application concerns 570 redundancies in one single enterprise Heijmans N.V., of whom 435 are targeted for EGF assistance.

24. As regards the fulfilment of the criteria set out 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 above do not receive assistance from other Community financial instruments.

In conclusion, for the reasons set out above, it is proposed to accept application EGF/2009/011 NL/Heijmans submitted by the Netherlands relating to the redundancies in Heijmans N.V, as evidence of a direct and demonstrable link has been provided that these redundancies result from the global financial and economic crisis. Therefore, a co-ordinated package of eligible personalised services has been proposed of which the requested contribution of the EGF is **EUR 386 114.**

Financing

The total annual budget available for the EGF is EUR 500 million. An amount of EUR 37 107 624 has already been mobilised for prior applications in 2009 leaving an amount of EUR 462 892 376 available. The Commission's proposed allocation under the Fund is based on the information made available by the applicants.

On the basis of the applications for support from the Fund submitted by Sweden, Austria and the Netherlands and in which respectively the automotive and the construction sectors were affected, the total estimates of the coordinated packages of personalised services to be funded are as follows:

EGF/2009/007 SE/ Volvo	**EUR 9 839 674**
EGF/2009/009 AT/ Steiermark	**EUR 5 705 635**
EGF/2009/011 NL/Heijmans NV	**EUR 386 114**
Total	**EUR 15 931 423**

In the light of the examination of these applications[8], and considering the maximum possible amount of a grant from the Fund established in accordance with Article 10 of Regulation (EC) No 1927/2006 as well as the scope for reallocating appropriations, the Commission proposes to deploy the EGF for a total amount of EUR **15 931 423,** to be allocated under heading 1a of the financial framework.

The requested amount of support 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.

By presenting this proposal to deploy the Fund, the Commission initiates the simplified trialogue procedure, as required by Point 28 of the Inter-institutional Agreement of 17 May 2006, in view of securing the agreement of the two arms of the budgetary authority on the need to use the Fund 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 will present a transfer request in order to enter in the 2009 budget specific commitment and payment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.

[8] Communication to the Commission on applications to mobilise the European Globalisation Adjustment Fund introduced by Sweden (SEC(2009)1379), Austria (SEC(2009)1385) and the Netherlands (SEC(2009)1321) setting out the analysis of the Commission.

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DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the mobilisation of the European Globalisation Adjustment Fund

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

Having regard to the Inter-institutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management[9], 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 Fund[10], and in particular Article 12(3) thereof,

Having regard to the proposal from the Commission[11],

Whereas:

(1) The European Globalisation Adjustment Fund (EGF) was established 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.

(2) The scope of the EGF was broadened for applications submitted from 1 May 2009 to include support for workers made redundant as a 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) Sweden submitted an application to mobilise the EGF, in respect of redundancies in automotive sector, on 5 June 2009. This application complies with the requirements for determining the financial contributions as laid down in Article 10 of Regulation (EC) No 1927/2006, therefore the Commission proposes to deploy an amount of **EUR 9 839 674.**

(5) Austria submitted an application to mobilise the EGF, in respect of redundancies in the automotive sector, on 9 July 2009. This application complies with the requirements for

9 OJ C 139, 14.6.2006, p. 1.
10 OJ L 406, 30.12.2006, p. 1.
11 OJ C […], […], p. […].

determining the financial contributions as laid down in Article 10 of Regulation (EC) No 1927/2006, therefore the Commission proposes to deploy an amount of **EUR 5 705 635**.

(6) The Netherlands submitted an application to mobilise the EGF, in respect of redundancies in the construction sector, on 4 August 2009. This application complies with the requirements for determining the financial contributions as laid down in Article 10 of Regulation (EC) No 1927/2006, therefore the Commission proposes to deploy an amount of **EUR 386 114**.

(7) The EGF should, therefore, be mobilised in order to provide a financial contribution for the applications submitted by Sweden, Austria and the Netherlands.

HAVE DECIDED AS FOLLOWS:

Article 1

For the general budget of the European Union for the financial year 2009, the European Globalisation Adjustment Fund (EGF) shall be mobilised to provide the sum of **EUR 15 931 423** 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
The President

For the Council
The President