Mobilisation of the European Globalisation Adjustment Fund: redundancies in car industry in Sweden and Austria, and in construction sector in the Netherlands

2009/2183(BUD) - 27/10/2009 - Non-legislative basic document

PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) following redundancies in car industry in Sweden and Austria, and in the construction sector in the Netherlands.

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

CONTENT: Regulation (EC) No 1927/2006 set up the European Globalisation Adjustment Fund (EGF) which provides 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 (COD/2006/0033).

The Interinstitutional Agreement of 17 May 2006 allows for the mobilisation of the European Globalisation Adjustment Fund (EGF) through a flexibility mechanism, within the annual ceiling of EUR 500 million.

The Commission services carried out a thorough examination of 3 applications for the mobilisation of the EGF as follows:

1. Sweden: Case EGF/2009/007 SE/ Volvo: 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 that Regulation. Since this application was received after 1 May 2009, it was assessed on the basis of the modified rules laid down in Regulation (EC) No 546/2009. Sweden submitted this application under the intervention criteria which requires at least 500 redundancies over a four-month period. It concerns 4 687 workers dismissed from 26 production sites, of whom 2 258 were dismissed by Volvo Cars. 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. 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.

- **Impacts**: 73% of the redundancies occurred in the region Västsverige. 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. 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. Therefore, the redundancies can be seen to have a significantly negative effect on the local and regional economy.
- **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. 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**.

2. Austria: Case EGF/2009/009 AT/Steiermark: the Austrian authorities submitted the application to the Commission on 9 July 2009 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 that Regulation. The application cites a total of 744 redundancies during the 9-month period of reference in 9 enterprises operating in the region of Styria. 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. 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 %. 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.

- **Impacts**: 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. This makes the region particularly vulnerable to the impacts of the global crisis. The 744 redundant workers in the present application represent an increase of about 7 %. In view of these circumstances, the redundancies can be seen to have a significantly negative effect on the local and regional economy.
- **In conclusion**: it is proposed to accept application **EGF/2009/009 AT/Steiermark** submitted by Austria. 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.**

3. The Netherlands: Case EGF/2009/011 NL/Heijmans N.V.: 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 that Regulation. Since this application was received after 1 May 2009, it was assessed on the basis of the modified rules laid down in Regulation (EC) No 546/2009. The Netherlands submitted this application under the intervention criteria 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. 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. 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 (new utility building projects will diminish by 6 % in 2009 and by 10 % in 2010).

- **Impacts**: the redundancies will have an impact at all three levels: at 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 and at 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.
- **In conclusion**, 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.**

IMPACT ASSESSMENT: not applicable.

BUDGETARY IMPLICATIONS: 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. In the light of the examination of these applications8, and considering the maximum possible amount of a grant from the Fund 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, via the simplified trialogue procedure, as required by Point 28 of the Inter-institutional Agreement of 17 May 2006.

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.