Mobilisation of the European Globalisation Adjustment Fund: redundancies in the electrotechnical industry in Portugal

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PURPOSE: to mobilise the European Globalisation Fund in respect of redundancies in the electrotechnical industry in Portugal.

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

CONTENT: the European Globalisation Adjustment Fund (EGF) was established by Council Regulation No 1927/2006 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.

The Interinstitutional Agreement of 17 May 2006 on budgetary discipline 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.

The Commission services have carried out a thorough examination of the applications submitted by Portugal. These are as follows:

Portugal: EGF/2009/023 PT/Qimonda: on 17 December 2009, Portugal submitted application EGF/2009 /023 PT/Qimonda for a financial contribution from the EGF, following redundancies in Qimonda Portugal S.A. The application was supplemented by additional information up to 28 April 2010.

In order to establish the link between the redundancies and the global financial and economic crisis, Portugal refers to the insolvency of the German multinational Qimonda AG in January 2009. By the end of March 2009, Qimonda Portugal, with its base in Vila do Conde (Norte region) also applied for a state of insolvency. The cause of this request was the total stoppage of production at the German Qimonda factory, which was the supplier of raw materials to the Vila do Conde unit, together with the failure to find an agreement with potential investors who would have continued production in Portugal.

The insolvency of the German multinational Qimonda AG was due to several factors such as the financial crisis, as well as the excess capacity in the Dynamic Random Access Memory (DRAM) market, which created enormous pressure on prices, forcing various companies to reduce production and carry our greater stock control.

Portugal 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. The application cites 519 redundancies in Qimonda during the reference period from 8 June 2009 to 8 October 2009.

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.

On the basis of the application from Portugal, the proposed contribution from the EGF to the coordinated package of personalised services is **EUR 2 405 671**, representing 65% of the total cost.

IMPACT ASSESSMENT: no impact assessment was carried out.

FINANCIAL IMPLICATION: 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 of **EUR 2 405 671** to be allocated under heading 1a of the financial framework.

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.

By presenting this proposal to mobilise the EGF, the Commission initiates the simplified trialogue 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 trialogue meeting will be convened.

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.