Mobilisation of the European Globalisation Adjustment Fund: redundancies in diesel engine manufacturing in Poland

2010/2266(BUD) - 05/11/2010 - Non-legislative basic document

PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in diesel engine manufacturing in Poland.

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 application submitted by Poland to mobilise the EGF. The main elements of the assessment are as follows:

Poland:application EGF/2010/006 PL/H.Cegielski-Pozna from Poland: on 8 March 2010, Poland submitted application EGF/2010/006 PL/H.Cegielski-Pozna for a financial contribution from the EGF, following redundancies in H. Cegielski-Pozna and four of its suppliers. The application was supplemented by additional information up to 10 August 2010.

In order to establish the link between the redundancies and the global financial and economic crisis, Poland explains that H.Cegielski-Pozna is a manufacturer of twostroke diesel engines used to drive ships, and also used at power plants. It also produces radial air blowers, piston and rotary compressors. The core business of H.Cegielski-Pozna is the manufacture of marine diesel engines under licences from MAN Burmeister & Wain and Wärtsilä Switzerland Ltd (the licences are valid until the end of 2012). A combination of factors brought about reduced shipbuilding requirements and by the end of 2008 / beginning of 2009, the placement of new orders came to an almost complete halt. It is estimated that some 30% of the fleet in 2011 will be surplus and that therefore some 53 million deadweight tons (dwt) out of a total orderbook of 566 million dwt will be cancelled. Already, the crisis has caused a high number of inactive ships and ships operating at slow speeds around the world. In the future, the shipbuilding industry is expected to move to low cost areas, mainly in Asia, which have been increasing their market share spectacularly in the years leading up to the crisis.

Poland 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 550 redundancies in H.Cegielski-Pozna and four of its suppliers during the reference period from 1 September 2009 to 1 January 2010.

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 Poland, the proposed contribution from the EGF to the coordinated package of personalised services is **EUR 114 250**, 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 114 250** 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.

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.