

# Mobilisation of the European Globalisation Adjustment Fund: redundancies in the food industry in the Czech Republic

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**PURPOSE:** to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in the food industry in the Czech Republic.

**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 the Czech Republic to mobilise the EGF. The main elements of the assessment are as follows:

**Czech Republic: application EGF/2010/010 CZ/Unilever from the Czech Republic:** on 24 March 2010, the Czech Republic submitted application EGF/2010/010 CZ/Unilever for a financial contribution from the EGF, following redundancies in Unilever R spol.s r.o. in Nelahozeves in the Czech Republic (henceforth 'Unilever'). The application was supplemented by additional information up to 20 September 2010.

In order to establish the link between the redundancies and the global financial and economic crisis, the Czech Republic argues that the consumption and sale of food products such as those produced by Unilever in the Czech Republic declined seriously due to this crisis. It has quoted Eurostat statistics which show that over the twelve-month period from September 2008 to August 2009 retail turnover in the EU-27 declined by 3.32%, in the Euro zone by 4.52%, and in the Czech Republic by 5.88%.

Decreased consumer confidence and decreased sales led inexorably to decreased production at Nelahozeves, and a re-organisation of production capacity by Unilever. The firm decided to close its factory at Nelahozeves and to supply the local and EU markets from other production sites, including those based elsewhere in the EU.

The Czech Republic submitted this application under the intervention criteria of Article 2(b) of Regulation (EC) No 1927/2006, which requires at least 500 redundancies over a nine-month period in enterprises operating in the same NACE Revision 2 Division in one region or two contiguous regions at NUTS II level. The application cites 634 redundancies in Unilever during the four-month reference period from 16 September 2009 to 16 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 the Czech Republic, the proposed contribution from the EGF to the coordinated package of personalised services is **EUR 323 820**, 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 323 820** 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 triologue 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 triologue 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.