Mobilisation of the European Globalisation Adjustment Fund: redundancies in printed circuit board manufacturing in Austria

2011/2125(BUD) - 10/06/2011 - Non-legislative basic document

PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in printed circuit board manufacturing in Austria.

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 Austria to mobilise the EGF. The main elements of the assessment are as follows:

Austria: EGF/2010/008 AT/AT&S: on 11 March 2010, Austria submitted application EGF/2010/008 AT /AT&S for a financial contribution from the EGF, following redundancies in AT&S in Austria. The application was supplemented by additional information up to 22 February 2011.

In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, Austria argues that the production of printed circuit boards (PCBs) in Europe has for some time followed the same trend as the European mobile phone sector, i.e. mass production is being transferred to low-wage economies, mainly Asia and more specifically China. A large part of mobile phones and devices are produced in Asia, and almost three quarters of the world's PCB volume is produced there (proximity factor). Austria further argues that by approving several EGF applications in the mobile phone sector, the Commission has already recognised in the past that such a transfer of production capacities represents a structural shift in world trade patterns.

Following the drop in demand for circuit boards (- 40% in the business year 2008/2009 as compared to the previous year), AT&S decided in November 2008 to transfer its entire PCB mass production from Leoben to Shanghai resulting in a far-reaching downsizing of the Styrian site and a chain of lay-offs over more than a year. Only small and medium-sized batch production for the European market remains in Austria, supplying mainly the EU's automotive and industrial sectors.

Austria submitted the application under the intervention criterion of Article 2(c) of Regulation (EC) No 1927/2006. This provision allows applicants to derogate from the requirements of Articles 2(a) and 2(b) in small labour markets or in exceptional circumstances when redundancies have a serious impact on employment and the local economy. In this case the applicant must specify which of the main eligibility requirements its application fails to meet, and thus from which it is **seeking a derogation**.

The Austrian authorities specified that the application seeks to derogate from Article 2(a), where the normal threshold is at least 500 redundancies over a four-month period. The application cites 167 redundancies in the AT&S Leoben site over the four-month reference period from 1 September 2009 to 31 December 2009, all calculated in accordance with the second indent of the second paragraph of Article 2 of Regulation (EC) No 1927/2006.

The Commission services consider that the 167 redundancies in question along with the redundancies due to the same cause before the four-month reference period have a serious impact on employment and the economy at local and NUTS III level, and that, in combination with the particularity in respect of the mass redundancy notification rules in Austria, the exceptional circumstances criterion of Article 2(c) of Regulation (EC) No 1927/2006 is met.

On the basis of the application from Austria, the proposed contribution from the EGF to the coordinated package of personalised services is **EUR 1 221 128**, representing 65% of the total cost.

IMPACT ASSESSMENT: no impact assessment was carried out.

FINANCIAL IMPLICATIONS: 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 referred to above, 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.

An amount of EUR 8 523 405 remains available on the EGF Budget line 04.0501 after adoption by both arms of the Budgetary Authority of two Decisions totalling an amount of EUR 777 390, and taking into account the four cases currently discussed by the Budgetary Authority for a total amount of EUR 38 308 155. This available amount will be used to cover the amount of EUR 1 221 128 needed for the present application.