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

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in footwear 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 application submitted by Portugal to mobilise the EGF. The main elements of the assessment are as follows:

Portugal: application EGF/2010/026 PT/Rohde: on 26 November 2010, Portugal submitted application EGF/2010/026 PT/Rohde for a financial contribution from the EGF, following redundancies in Rohde Sociedade Industrial de Calçado Luso-Alemã, Lda ('Rohde') in Portugal.

In order to establish the link between the redundancies and the global financial and economic crisis, Portugal argues that the clothing and footwear industries were strongly hit by the crisis. Both clothing and footwear industries recorded a decrease in exports (EUR 24 million in clothing, EUR 6 million in footwear). Portuguese footwear exports declined in 2009 to EUR 1 207 million, representing 6.4% less than those of the previous year.

The Rohde company kept a stable position on the market despite the increasing difficulties due to intensified competition, China becoming a global leader in the sector and growing importance of Vietnam, India and Indonesia. However, the situation of Rohde was affected by the decrease in sales, and the position of Rohde on the European market deteriorated. As a result of the crisis and the reduced capacity to invest, the parent enterprise based in Schwalmstadt, Germany, finally went bankrupt. The Rohde Group was then the subject of a recovery plan and finally the group substantially downsized.

These circumstances led to the eventual closure of the factory and the dismissal of the workers.

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 and downstream producers. The application cites 974redundancies in Rohde during the four-month reference period from 19 May 2010 to 19 September 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 Portugal, the proposed contribution from the EGF to the coordinated package of personalised services (including expenditure to implement EGF) is **EUR 1 449 500**, 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.

The Commission presents separately a transfer request in order to enter in the 2011 budget specific commitment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.

Amending budget 2/2011 increased EGF budget line 04.0501 by EUR 50 000 000 in payment appropriations. Appropriations from this budget line will be used to cover the amount of EUR 1 449 500 needed for the present application.