Mobilisation of the European Globalisation Adjustment Fund: redundancies in the retail sector in Greece

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in the retail sector in Greece.

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

Greece: **application EGF/2011/004 EL/ALDI Hellas from Greece**: on 10 May 2011, Greece submitted application EGF/2011/004 EL/ALDI Hellas for a financial contribution from the EGF, following redundancies in ALDI Hellas Supermarket Holding EPE & Assoc. E.E. and one supplier – Thessaloniki Logistics S.A. – in Greece. The application was supplemented by additional information up to 22 June 2011.

In order to establish the link between the redundancies and the global financial and economic crisis, Greece argues that the economic and financial crisis had devastating consequences for the Greek economy and led the Greek government to take measures such as increasing tax revenues, streamlining public expenditure and decreasing public employees' salaries. There has also been a decrease in the average income in the private sector in an attempt to increase the competitiveness of the Greek economy. An immediate effect of reduced income was a decrease in consumption which has severely affected the retail sector and in particular supermarkets.

ALDI's decision to invest in Greece was taken during a phase in which the retail sector showed high growth rates (13 % for the period 1992-2009).The economic and financial crisis completely changed the scenario and related expectations. Between 2005 and 2010 the cumulative losses of ALDI Hellas amounted to EUR 181 595 000.

Greece 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 554 redundancies in ALDI Hellas Supermarket Holding EPE & Assoc. E.E. and one supplier – Thessaloniki Logistics S.A. – during the four-month reference period from 4 November 2010 to

4 March 2011 and a further 88 redundancies in ALDI outside the reference period, but related to the same collective redundancies procedure and the event which triggered the redundancies during the reference period.

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 Greece, the proposed contribution from the EGF to the coordinated package of personalised services (including expenditure to implement EGF) is EUR 2 918 500, 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 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.

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 2 918 500 needed for the present application. An amount of EUR 6 091 460 remains available on the EGF Budget line 04.0501 after adoption by both arms of the Budgetary Authority of the cases submitted to it to date.