Mobilisation of the European Globalisation Adjustment Fund: redundancies in construction of buildings in Italy

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in the **construction of buildings sector in Italy**.

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

Italy: EGF/2011/002 IT/Trentino-Alto Adige/Südtirol: on 7 February 2011, Italy submitted application EGF/2011/002 IT/Trentino-Alto Adige/Südtirol Construction of buildings for a financial contribution from the EGF, following redundancies in 323 enterprises operating in the NACE Revision 2 Division 41 ('Construction of buildings') in the NUTS II region of Trentino-AltoAdige/Südtirol (ITD1 and ITD2) in Italy. The application was supplemented by additional information up to 6 July 2011.

In order to establish the link between the redundancies and the global financial and economic crisis, Italy argues that the construction sector has been severely affected by the crisis. Loans to the construction sector or to individuals have been drastically reduced and the demand for new houses decreased due to declining consumer confidence and the lack of cash.

The Commission recognised in its Economic Recovery Plan that the construction industry in the EU has seen demand plummet as a result of the crisis. Available data confirms the significant downturn in the construction sector, which fell in the EU-27 for seven consecutive quarters compared with the same period of previous year, mainly due to the decrease in private investment in the residential sector. The construction output in Italy has been following the same trend.

Italy 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 in a Member State. The application cites 643 redundancies in 323 enterprises operating in the NACE Revision 2 Division 41 ('Construction of buildings') in the NUTS II region of Trentino-Alto Adige/Südtirol (ITD1 and ITD2) during the nine-month reference period from 1 March 2010 to 1 December 2010.

On the basis of the application from Italy, the proposed contribution from the EGF to the coordinated package of personalised services (including expenditure to implement EGF) is **EUR 3 918 850**, 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 and payment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.

Amending budget 3/2011 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 3 918 850 needed for the present application.