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

2012/2023(BUD) - 15/02/2012 - Non-legislative basic document

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

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

Spain: application EGF/2011/006 ES/Comunidad Valenciana - Construction of buildings: on 1 July 2011, Spain submitted application EGF/2011/006 ES/Comunidad Valenciana Construction of buildings for a financial contribution from the EGF, following redundancies in 513 enterprises operating in the NACE Revision 2 Division 41 ('Construction of buildings') in the NUTS II region of Comunidad Valenciana (ES52) in Spain. The application was supplemented by additional information up to 25 November 2011.

In order to establish the link between the redundancies and the global financial and economic crisis, Spain argues that the construction sector has been severely affected by the crisis. Loans to the construction sector and to individuals have been drastically reduced and the demand for new houses decreased due to declining consumer confidence and the lack of cash. In 2010 and the first quarter of 2011 the downturn in the Spanish construction sector was further exacerbated. Other indicators, such the number of building permits or the number of buildings started, give further evidence of the decline in demand for buildings (houses) in Spain. The number of building permits granted in Spain decreased by 75.6% in 2009 and 82.8% in 2010 compared with 2007, the last pre-crisis year. The number of buildings started decreased by 52.2% in 2009 compared with 2008 and by 76.7% compared with 2007.

Spain 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 1 138 redundancies in 513 enterprises operating in the NACE Revision 2 Division 41 ('Construction of buildings') in the NUTS II region of Comunidad Valenciana (ES52) during the nine-month reference period from 25 July 2010 to 25 April 2011.

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 Spain, the proposed contribution from the EGF to the coordinated package of personalised services (including expenditure to implement EGF) is EUR 1 642 030, 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.

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 2012 budget specific commitment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006. Appropriations from the EGF budget line will be used to cover the amount of EUR 1 642 030 needed for the present application.