

# Mobilisation of the European Globalisation Adjustment Fund: redundancies in the shipbuilding industry in Denmark

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**PURPOSE:** to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in the shipbuilding industry in Denmark.

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

**Denmark: application EGF/2011/008 DK/Odense Steel Shipyard:** on 28 October 2011, Denmark submitted application EGF/2011/008 DK/Odense Steel Shipyard 2 for a financial contribution from the EGF, following redundancies in Odense Steel Shipyard in Denmark. The application was supplemented by additional information up to 8 March 2012.

In order to establish the link between the redundancies and the global financial and economic crisis, Denmark argues that shipyards in Europe over the last decades have been losing substantial market shares to Asia. The decision to close Odense Steel Shipyard was taken on 10 August 2009, and a programme was agreed with all employees regarding the ships that would still be finished at the yard and thus, the timing of the redundancies required. A first application for EGF funding in support of the first wave of 1 356 redundant workers was made by the Danish authorities on 6 October 2010 and, following [approval of the Commission's proposal by the Council and the European Parliament](#), the funds were paid out on 2 August 2011. It was understood at the time of the first application that a second would follow, to take care of the later and final wave of redundancies, also including the workers made redundant by some of the suppliers to the shipyard.

**The Danish authorities argue that the closure of the shipyard and the resulting redundancies could not have been foreseen.** The shipyard owners invested heavily into the yard until 2009; this would not have happened if the closure had been expected. It must be noted that this is one of the biggest and most modern shipyards in Europe, holding records such as that of having built (in 2006-2008) the biggest container ships in the world.

Denmark 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 509 redundancies in Odense Steel Shipyard during the reference period from 1 May 2011

to 31 August 2011 as well as further redundancies from sub-contractors, making a total of 585 redundancies from Odense Steel Shipyard and its suppliers. All of these redundancies were calculated in accordance with the first indent of the second paragraph of Article 2 of Regulation (EC) No 1927/2006 (981 redundancies in total in Odense Steel Shipyard and four of its suppliers).

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 Denmark, the proposed contribution from the EGF to the coordinated package of personalised services (including expenditure to implement EGF) is **EUR 6 455 104**, 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 triologue 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 triologue meeting will be convened.

The Commission presents separately a transfer request in order to enter in the 2012 budget specific commitment appropriations.