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

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in the shipbuilding sector 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: EGF/2011/019 ES/Galicia Metal:

on 28 December 2011, Spain submitted application EGF/2011/019 ES/Galicia Metal for a financial contribution from the EGF, following redundancies in 35 enterprises operating in the NACE Revision 2 Division 25 ('Manufacture of fabricated metal products, except machinery and equipment') in the NUTS II region of Galicia (ES11) in Spain.The application was supplemented by additional information up to 28 May 2012.

In order to establish the link between the redundancies and the global financial and economic crisis, Spain argues that the global financial crisis changed several of the conditions and expectations for the future development of the shipbuilding market and, as a result, order books of European yards decreased both in Compensated Gross Tonnage (CGT) and value terms. The European order book dropped from 13.69 million CGT to 9.47 million CGT between 2008 and 2009, and further to 6.39 million CGT in 2010. In September 2011, the order book was of 5.95 million CGT. In value terms, the European order book dropped from EUR 52 616 million to EUR 36 558 million between 2008 and 2009, and further to EUR 27 031 million in 2010.

This melt-down had an impact on the European shipbuilding workforce which declined by 23% over the past three years. The evolution of shipbuilding in Spain has followed the negative trend observed at European level.

The Galician shipbuilding sector represents 45% of the Spanish shipbuilding sector. As a direct consequence of the decrease of new orders, the shipbuilding workforce in Galicia declined by 30% over the past three years, from 10 000 workers at the end of 2008 to 7 000 in October 2011.

It should also be noted that all the arguments developed in previous cases related to shipbuilding and related industries (EGF/2010/001DK/Nordjylland, EGF/2010/006 PL/H. Cegielski-Poznan and EGF/2010/025DK/Odense Steel Shipyard) remain valid.

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 878 redundancies in 35 enterprises operating in the NACE Revision 2 Division 25 ('Manufacture of fabricated metal products, except machinery and equipment') in the NUTS II region of Galicia (ES11) during the nine-month reference period from 23 March 2011 to 23 December 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 2 029 235**, 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.

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 needed for the present application.