Mobilisation of the European Globalisation Adjustment Fund: redundancies in aluminium production in the Netherlands

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OBJECTIVE: to mobilise the European Globalisation Adjustment Fund (EGF) to assist the Netherlands faced by redundancies in the aluminium production sector.

PROPOSED ACT: Decision of the European Parliament and 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 examined the demand to mobilise the EGF to assist the Netherlands and decided the following:

The Netherlands: EGF/2011/021 NL/Zalco: on 28 December 2011, the Netherlands submitted application EGF/2011/021 NL/Zalco for a financial contribution from the EGF, following redundancies in Zalco Aluminium Zeeland Company NV and in two supplier firms (ECL Services Netherlands bv and Start) in the Netherlands. The application was supplemented by additional information, the last of which was provided by 18 June

2012.

In order to establish the link between the redundancies and the global financial and economic crisis, the Netherlands argues that the European aluminium sector suffered from a sudden drop in consumer demand (a reduction by 25.7% from average EU aluminium usage between 2008 and 2009). The Netherlands explains that the production of Zalco Aluminium Zeeland Company NV was dependent on the construction and transport industry (which represented 63% of the main end-user market of aluminium products in Europe in 2010). The majority of Zalco's Aluminium Zeeland Company NV production was produced for the rolling and extrusion industry. Almost their entire production of extrusion billets was used for the construction and transport industries, and in particular in the automotive sector.

The Netherlands argues that Zalco Aluminium Zeeland Company NV suffered from the declining demand - due to the global financial and economic crisis - in these two sectors leading, after unsuccessful attempts to overcome the difficulties, to bankruptcy at the end of 2011.

For its part, the Commission recognised that the demand for new motor vehicles in the European Union decreased in 2009 by 5.8% compared to 2008, and that faced with this drop in demand, manufacturers of motor vehicles reduced their production even more drastically (in 2009, the production of motor vehicles in the EU decreased by 17% compared to 2008 and this downward trend continued in 2010), leading to the inevitable failure of the business.

The Netherlands 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 616 redundancies in total (478 redundancies in Zalco Aluminium Zeeland Company NV, 18 redundancies in its supplier ECL Services Netherlands bv and 120 in Start) during the short reference period from 1 to 27 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 the Netherlands, the proposed contribution from the EGF to the coordinated package of personalised services is **EUR 1 494 008**, 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 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 1 494 008 needed for the present application.