

Mobilisation of the European Globalisation Adjustment Fund: redundancies in printing machinery manufacturing in Germany

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in the printing machinery manufacturing industry in Germany.

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

Germany: EGF/2012/002 DE/manroland: on 4 May 2012, Germany submitted application EGF/2012/002 DE/manroland for a financial contribution from the EGF, following redundancies in *manroland AG* and two of its subsidiaries (hereinafter referred to as "*manroland*"), as well as one supplier in Germany. The application was supplemented by additional information up to 10 July 2012.

In order to establish the link between the redundancies and the global financial and economic crisis, Germany argues that *manroland* is a printing machinery manufacturer that has long been recognised internationally for its high engineering standards and for manufacturing high-quality products. During recent years, emerging markets such as China, India and South American countries, e.g. Brazil, increased their demand for printing machinery and therefore became important customers for German and other European printing machinery manufacturers. Increasingly, however, these countries have also become important players in their own right on the supply side of an increasingly global market. As a result, German high-quality producers now face stiff international competition, mostly of lower quality and at lower prices.

With a bigger number of international suppliers on the one hand and changing printing techniques on the other, the average producer of printing machinery serves a smaller share of the market. Sales go down, profits sink and employers have to consider redundancies. Over the past few years, *manroland* followed this pattern in its response to globalisation.

The German authorities also mention examples of protectionism in the market for printing machinery which contributes to lower costs of production and an uneven playing field for foreign competitors. Gradually, China has become one of the fiercest international competitors in this sector and competitors from outside China try to avoid the barrier of import duties by delocalising production to other Asian countries.

As a consequence, European printing machinery suppliers (including *manroland*) have lost significant international market share since the mid-2000s decade. Between 2000 and 2004, the world market share of European producers averaged 67% but fell to an average of 53% during the period 2005 to 2011. In parallel, *manroland* lost 10 % of its market share for reel-fed offset printing equipment during the period of 2005 to 2011. This development contributed to sinking and negative profits and in the end to the redundancies which gave rise to this EGF application.

Germany 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 a total of 2 284 redundancies between 1 January 2012 to 30 April 2012.

On the basis of the application from Germany, the proposed contribution from the EGF to the coordinated package of personalised services is **EUR 5 352 944**, representing 50% 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 trilogue 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 trilogue 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.