Mobilisation of the European Globalisation Adjustment Fund: redundancies in the manufacturing of powered two-wheelers in Italy

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in the motorcycle manufacturing industry in Italy.

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

Italy: EGF/2011/026 IT/Emilia-Romagna Motorcycles: on 30 December 2011, Italy submitted application EGF/2011/026 IT/Emilia-Romagna Motorcycles for a financial contribution from the EGF, following redundancies at ten enterprises operating in division 30 of NACE Revision 2 (Manufacture of other transport equipment)[3] in the NUTS II region of Emilia-Romagna (ITH5) in Italy. The application was supplemented by additional information up to 10 September 2012.

In order to demonstrate the link between the redundancies and the global financial and economic crisis, Italy indicated that registrations of powered two-wheelers in Europe (representative of domestic demand) have fallen considerably (most significantly, a fall of 42 % for mopeds and 31 % for motorcycles between 2007 and 2010).

The Italian authorities also mentioned that the European powered two-wheeler industry has also suffered as a result of the growth in exports of cycles and motorcycles by manufacturers based in Asia. China in particular, as the world's foremost exporter of cycles and motorcycles, accounting for 25 % of the market, and India, which is gradually catching up with China, are now the world's biggest manufacturers (India's share of the global export market rose from 1 % to 2.70 % between 2007 and 2010). Italy also described how the value of cycle and motorcycle exports declined rapidly. Between 2008 and 2009. Italy, which is Europe's largest producer of powered two-wheelers, demonstrated that at national level, the production of motorcycles and mopeds, in which the region of Emilia Romagna is a major player (three of the companies covered in this application manufacture motorcycles under their own marque: *Morini, Malaguti* and *Minarelli*), has decreased (by 6 % between 2009 and 2010). The Italian authorities stated that the significant reduction in motorcycle and moped registrations in Europe also affected Italy (motorcycle and moped registrations fell 27 % between 2009 and 2010).

Italy submitted this application under the intervention criteria of Article 2(b) of Regulation (EC) No 1927 /2006, which makes a contribution from the EGT subject to 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. The application cites 512 redundancies in ten enterprises operating in division 30 of NACE Revision 2 (Manufacture of other transport equipment) during the nine-month reference period between 28 February 2011 and 28 November 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 Italy, the proposed contribution from the EGF to the coordinated package of personalised services is **EUR 2 658 495**, 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 of EUR 2 658 495, 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 application in question.

Source of payment appropriations: the amount of payment appropriations initially entered under budget line 04 05 01 **will be fully consumed once the budgetary authority adopts the proposals already presented for the mobilisation of the EGF** and therefore insufficient to cover the amount needed for this application. A transfer of EUR 1 160 745 from the European Progress Microfinance Facility budget line will be used to cover part of the amount required for this application. The additional amount of EUR 1 497 750 required for this application will be covered by an additional appropriation requested in Amending Budget No 6.