Mobilisation of the European Globalisation Adjustment Fund: redundancies in the mobile phone sector in Finland

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in the mobile phone industry in Finland.

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

Finland: EGF/2012/006 FI/Nokia Salo: on 4 July 2012, Finland submitted application EGF/2012/006 FI /Nokia Salo for a financial contribution from the EGF, following redundancies in *Nokia plc* (Salo) in Finland. The application was supplemented by additional information on 21 August 2012.

In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, Finland argues that the current difficulties of *Nokia, Nokia Siemens Networks* , almost all subcontractors and the affected regions go back to February 2011. At that time, *Nokia* announced a significant change in the company's strategy and launched an extensive cooperation with *Microsoft* with regard to the use of Microsoft Windows Phone as its primary smartphone operating system, while keeping *Nokia's* own Symbian operating system as a software platform in lower priced phones until the end of 2016. The demand for Symbian phones has meanwhile dropped considerably, and the development and maintenance operations based on the Symbian system will therefore be discontinued.

The intention was to keep the *Nokia* Salo plant operational while reducing the company's personnel by some 12 % in offices all around the world. This led to the closure of the plant in Cluj, Romania (September 2011), for which another EGF application was presented. Further redundancies are already planned, and a follow-up application from Finland for the next wave of redundancies is expected.

The primary reason for the redundancies is the transfer of functions within the sector to third countries outside Europe. Assembly of mobile phones, previously carried out in Salo and Cluj, has been offshored to Asia (China, South Korea, India and Vietnam, where a new Nokia plant is under construction). The purpose of the transfer of assembly operations to Asia is to expedite the entry of devices into the market even if, at present, *Nokia* is losing its position in its most important markets of China and India, where several companies manufacturing cheap phones are increasing their market shares. At its height, the electronics and electrotechnical industry provided employment to more than 60 000 people in Finland, but by the end of 2012, this number will have fallen to 50 000.

Finland 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 1 000 redundancies in *Nokia plc* (Salo) during the four-month reference period from 1 March 2012 to 1 July 2012.

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 Finland, the proposed contribution from the EGF to the coordinated package of personalised services is **EUR 5 346 000**, 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 5 346 000, 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.

Source of payment appropriations: the amount of payment appropriations initially entered on the budget line 04 05 01 in 2012 will be fully consumed after the adoption by the two arms of the budgetary authority of the proposals submitted to date for mobilising the EGF and therefore insufficient to cover the amount needed for Finland's application. **An increase in the payment appropriations of the EGF budget line will be requested** either through a transfer, in case a source of available appropriations can be identified, or an Amending budget. Appropriations from this budget line will be used to cover the amount of EUR 5 346 000 needed for the present application.