Mobilisation of the European Globalisation Adjustment Fund: redundancies in metal products manufacturing in Spain

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in metal products manufacturing 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/2011/018 ES/País Vasco Productos metálicos: on 28 December 2011, Spain submitted application EGF/2011/018 ES/*País Vasco Productos metálicos* for a financial contribution from the EGF, following redundancies in 423 enterprises operating in the NACE Revision 2 Division 25 (Manufacture of fabricated metal products, except machinery and equipment)[3] in the NUTS II region of País Vasco (ES21) in Spain. The application was supplemented by additional information up to 5 September 2012.

In order to establish the link between the redundancies and the global financial and economic crisis, Spain argues that the metal products sector is a key provider of inputs to a wide range of manufacturing activities, in particular the shipbuilding, construction and automotive sectors. All of these were significantly impacted across the European Union by the economic crisis. In addition the arguments presented in previous EGF applications related to these sectors remain valid, in particular those put forward by the Commission in the context of another EGF application from Spain related to the same sector.

Spain is among the Member States most seriously affected by the global financial and economic crisis. Manufacturing in turn has been among the most affected sectors and the situation continues to deteriorate. In Spain the production of the metal sector as a whole decreased by 24.6 % and the production of metal products by 23.3 % in 2009 compared with the previous year.

The decrease of production in the sector of metal products had consequences for employment. Spain thus lost more than 180 000 jobs in the metal sector in 2009 and a further 60 000 jobs in 2010, which represented approximately 15 % of total employment of the sector.

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 1 106 redundancies in 423 enterprises operating in the NACE Revision 2 Division 25 ('Manufacture of fabricated metal products, except machinery and equipment') in the NUTS II region of País Vasco (ES21) during the nine-month reference period from 22 January 2011 to 22 October 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 is **EUR 1 299 545**, 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 of EUR 1 299 545, 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 Spain’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 1 299 545 needed for the present application.