Mobilisation of the European Globalisation Adjustment Fund: redundancies in the manufacture of domestic appliances in Italy

2013/2032(BUD) - 20/02/2013 - Non-legislative basic document

PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in the manufacture of domestic appliances in Italy.

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/2012/023 IT/Antonio Merloni SpA from Italy: on 29 December 2011, Italy submitted application EGF/2011/023 IT/Antonio Merloni for a financial contribution from the EGF, following redundancies in Antonio Merloni SpA in Italy. The application was supplemented by additional information up to 4 September 2012.

In order to establish the link between the redundancies and the global financial and economic crisis, Italy argues that the crisis had a serious impact on the market for domestic appliances. Available data confirms the significant downturn in the manufacture of domestic appliances, mainly due to the decrease in exports in particular to the United States and Japan. Production of domestic appliances fell in the EU- 27 for three consecutive years (2007 to 2009) compared with the relevant previous year and slightly recovered only in 2010.

To maintain its market share against competition from low labour cost countries such as China and Turkey, Antonio Merloni SpA, the fifth largest manufacturer of appliances in the EU in 2002, changed its sales strategy and in 2006 started selling its products directly through its own brands.

With the outbreak of the global financial and economic crisis, the company got into financial difficulties, which were further exacerbated by the sudden tightening of conditions for access to financial credit. The amount of debt and liabilities and the downturn in production resulted in a request submitted to the Ministry of Economic Development for admission to the administration proceedings for large firms in crisis and finally in the cessation of the business activities of Antonio Merloni SpA.

Italy 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 1 517 redundancies in Antonio Merloni SpA during the four month reference period from 23 August 2011 to 23 December 2011. All of these redundancies were calculated in accordance with

the third indent of the second paragraph of Article 2 of Regulation (EC) No 1927/2006. The Commission has received the confirmation required under the third indent of the second paragraph of Article 2 that this is the actual number of redundancies effected.

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 (including expenditure to implement EGF) is **EUR 5 037 482**, representing 65% of the total cost. The Commission's proposed allocation under the Fund is based on the information made available by Italy.

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 5 037 482** 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, as required by Article 12(6) of Regulation (EC) No 1927/2006.

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.

Source of payment appropriations: appropriations from the EGF budget line will be used to cover the amount of EUR 5 037 482 needed for the present application.