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

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) to assist Finland in dealing with redundancies in its shipbuilding sector.

PROPOSED ACT: Decision of the European Parliament and of the Council.

CONTENT: Article 12 of Council Regulation (EU, Euratom) No 1311/2013 laying down the multiannual financial framework for the years 2014-2020 provides that the EGF shall not exceed a maximum annual amount of **EUR 150 million** (2011 prices).

The rules applicable to financial contributions from the European Globalisation Adjustment Fund (EGF) are laid down in Regulation (EU) No 1309/2013 of the European Parliament and of the Council on the European Globalisation Adjustment Fund (2014-2020) and repealing Regulation (EC) No 1927/2006 (the 'EGF Regulation').

The Commission examined the application for mobilisation of the EGF to assist Finland and concluded the following:

Finland: EGF/2014/008 FI/STX Rauma: the Finnish authorities submitted application EGF/2014/008 FI /STX Rauma for a financial contribution from the EGF, following redundancies in STX Finland Oy in Rauma in Finland.

The Finnish authorities submitted its application on 27 May 2014, within **12 weeks** of the date on which the intervention criteria were met. The deadline which the Commission has to finalise its assessment of the application's compliance with the conditions for providing a financial contribution, expires on 14 October 2014.

In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, Finland argues that the global maritime industry changed dramatically in recent years. Resulting from the explosive growth of the order book in the period 2002 to 2008, new shipyards were built, most of them in Asia. However, the global economic and financial crisis meant that the order book was halved between 2007 and 2013. As a result of the reduced orders and the significant expansion by Asia in the shipbuilding market, the sector is currently suffering from global overcapacity leading to tough competition.

As part of this trend, the EU market share has plummeted. Measured by production volume, the EU market share in shipbuilding was 5 % in the first three quarters of 2013, down from 13 % in 2007. The equivalent share of China, South Korea and Japan combined was 86 % in the first three quarters of 2013, while in 2007 this same share had been 77 %.

In many Asian countries, the shipyard industry has become an instrument for creating national employment and earning foreign currency. Europe, the birthplace of the modern shipbuilding industry, has thus to a great extent lost out to Asian countries with low labour costs.

To date, the shipbuilding sector in broad terms has been the subject of 6 EGF applications 7, with one based on trade related globalisation and the other five on the global financial and economic crisis.

Background to the Finnish request: the Finnish authorities submitted the application under the intervention criteria of Article 4(1)(a) of the EGF Regulation, which requires at least 500 workers being made redundant or self-employed persons' activity ceasing, over a reference period of four months in an enterprise in a Member State, including workers made redundant by suppliers and downstream producers and / or self-employed persons whose activity has ceased.

The reference period of four months runs from 7 November 2013 to 7 March 2014.

The application relates to 634 workers made redundant in STX Finland Oy, most of them at its shipyard located in Rauma, but some spillover also affecting its bigger Turku facility. STX Finland Oy operates in the economic sector classified under NACE Rev. 2 division 30 ('Manufacture of other transport equipment'). The redundancies made by the enterprise concerned are mainly located in the NUTS level 2 region of West Finland (FI19).

The application relates to 577 workers made redundant5 in STX Finland Oy during the reference period. The conditions for awarding a financial contribution from the EGF are met.

In view of the Finnish request, it is proposed to mobilise the EGF for the amount of **EUR 1 426 800** to make a contribution to the package of personalised services.

BUDGETARY IMPLICATION: having examined the application in respect of the conditions set out in Article 13(1) of the EGF Regulation, and having taken into account the number of targeted beneficiaries, the proposed actions and the estimated costs, the Commission proposes to mobilise the EGF for the amount of EUR 1 426 800, representing 60 % of the total costs of the proposed actions, in order to provide a financial contribution for the application.

The proposed decision to mobilise the EGF will be taken jointly by the European Parliament and the Council, as laid down in point 13 of the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management.

At the same time as it presents this proposal for a decision to mobilise the EGF, the Commission will present to the European Parliament and to the Council a proposal for a transfer to the relevant budgetary line for the requested amount.

When the Commission adopts this proposal for a decision to mobilise the EGF, it will also adopt a decision on a financial contribution, by means of an implementing act, which will enter into force on the date at which the European Parliament and the Council adopt the proposed decision to mobilise the EGF.