Mobilisation of the European Globalisation Adjustment Fund: redundancies in the manufacturing of machinery in Belgium

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) to assist Belgium in respect of redundancies in the manufacturing of machinery.

PROPOSED ACT: 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) over and above the relevant headings of the financial framework.

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.

In this context, the Commission examined the application for mobilisation of the EGF to assist Belgium and concluded the following:

Belgium: EGF/2015/012 BE/Hainaut Machinery: on 17 December 2015, Belgium submitted application EGF/2015/012 BE/Hainaut Machinery for a financial contribution from the EGF, following redundancies in the economic sector of manufacture of machinery and equipment (NUTS level 2 region) of Hainaut in Belgium.

Belgium submitted application within the deadline of **12 weeks** set out in the Regulation. This deadline within which the Commission should finalise its assessment of the application's compliance with the conditions for providing a financial contribution expires on 5 May 2016.

In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, Belgium argued that Union trade in construction machinery has undergone serious disruptions in recent years. This has had a negative impact on the profitability in Europe of the three enterprises, which are all specialised in production of components and/or assemblage of machines used in the construction sector.

The sector concerned by the proposal is characterised by having production units close to the market. Therefore, the three enterprises mainly produce for the European market.

Due to declining public and private investments in infrastructure, the demand for the products produced by the three enterprises has decreased accordingly. The production of construction engines in Europe has seen a decline of 45.1 %. Simultaneously, steel prices in Europe have increased significantly. Declining economies of scale and increasing unit costs have led to a loss of competitiveness for the European plants. This decline in competitiveness has led to the delocalisation to third countries of substantial production capacity (in particular Asian plants have benefitted from this development).

The primary event giving rise to these redundancies is the announcement by Caterpillar Belgium S.A. on 23 February 2013 to enter into a collective redundancy procedure at its production plant located in Gosselies (the majority of the 1399 workers concerned were the subjects of a first EGF application involving redundancies at the enterprise). The current proposal includes the remaining 169 workers at the site. Carwall S.A., a principal supplier of cabs for Caterpillar Belgium S.A., witnessed a falling demand for its products, mainly due to fewer orders coming from Caterpillar, and was forced to scale down production accordingly. The third enterprise concerned by this proposal, Doosan S.A., produces excavators. Falling demand for its products in Europe led to the decision to close a production plant located in Frameries and supply the European market from its production sites in South Korea.

The impact of the redundancies on the local and regional economy and employment is expected to be significant. Hainaut is facing a difficult labour market situation with an unemployment rate of 14.5 % (5.9 percentage points higher than the national average).

To date, the Manufacture of machinery and equipment n.e.c sector has been the subject of 14 EGF applications, eight of which based on trade related globalisation and six on the global financial and economic crisis.

Basis of the Belgian application: Belgium submitted the application under the intervention criteria of Article 4(2) derogating from the criteria of Article 4(1) (b) of the EGF Regulation, which requires at least 500 workers being made redundant over a reference period of nine months in enterprises operating in the same economic sector defined at NACE Revision 2 Division and located in one region or two contiguous regions defined at NUTS 2 level in a Member State.

There were 488 redundancies in the NUTS 2 region of Hainaut (B32). The reference period of nine months for the application runs from 25 December 2014 to 25 September 2015.

Having examined this application, the proposed contribution from the EGF to the coordinated package of personalised services is **EUR 1 824 041**.

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 Commission proposed to mobilise the EGF for the amount of EUR 1 824 041, 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 proposed amount.

At the same time as it adopts this proposal for a decision to mobilise the EGF, the Commission will 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.