Basic information

2013/2048(BUD) BUD - Budgetary procedure	Procedure completed
Mobilisation of the European Globalisation Adjustment Fund: redundancies in the tobacco industry in Austria **Subject** 3.40.12 Luxury products industry, cosmetics 4.15.05 Industrial restructuring, job losses, redundancies, relocations, Globalisation Adjustment Fund (EGF) 8.70.60 Previous annual budgets **Geographical area** Austria	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
BUDG Budgets	DAERDEN Frédéric (S&D)	11/03/2013
	Shadow rapporteur PICKART ALVARO Alexander Nuno (ALDE)	

Committee for opinion	Rapporteur for opinion	Appointed
EMPL Employment and Social Affairs	The committee decided not to give an opinion.	
REGI Regional Development	The committee decided not to give an opinion.	

Council of the European Union

Council configuration	Meetings	Date
General Affairs	3235	2013-04-22

European Commission

Commission DG	Commissioner
Budget	LEWANDOWSKI Janusz

Key events

Date	Event	Reference	Summary
07/03/2013	Non-legislative basic document published	COM(2013)0119	Summary
14/03/2013	Committee referral announced in Parliament		
26/03/2013	Vote in committee		
28/03/2013	Budgetary report tabled for plenary	A7-0134/2013	Summary
16/04/2013	Decision by Parliament	T7-0111/2013	Summary
16/04/2013	Results of vote in Parliament		
22/04/2013	Draft budget approved by Council		
22/04/2013	End of procedure in Parliament		
12/06/2013	Final act published in Official Journal		

Technical information

Procedure reference	2013/2048(BUD)
Procedure type	BUD - Budgetary procedure
Procedure subtype	Mobilisation of funds
Other legal basis	Rules of Procedure EP 165
Stage reached in procedure	Procedure completed
Committee dossier	BUDG/7/12165

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE506.253	11/03/2013	
Amendments tabled in committee		PE507.966	21/03/2013	
Budgetary report tabled for plenary, 1st reading		A7-0134/2013	28/03/2013	Summary
Budgetary text adopted by Parliament		T7-0111/2013	16/04/2013	Summary

European Commission

Document type	Reference	Date	Summary
Non-legislative basic document	COM(2013)0119	07/03/2013	Summary

Additional information

Source	Document	Date

Final act

Decision 2013/0276
OJ L 160 12.06.2013, p. 0011 Summary

Mobilisation of the European Globalisation Adjustment Fund: redundancies in the tobacco industry in Austria

2013/2048(BUD) - 07/03/2013 - Non-legislative basic document

PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in the tobacco industry in Austria.

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

Austria: application EGF/2011/010 AT/Austria Tabak: on 20 December 2011, Austria submitted application EGF/2011/010 AT/Austria Tabak for a financial contribution from the EGF, following redundancies in Austria Tabak GmbH and in 14 suppliers and downstream producers in Austria. The application was supplemented by additional information up to 9 October 2012.

In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, Austria argues that the cigarette and tobacco product manufacturing industry in the EU, has been seriously affected by changes in world trade patterns, in particular a significant reduction of the EU market share and delocalisation of production to third countries. These changes in trade patterns reflect the decline in cigarette consumption in the industrialised European countries as well as the USA and Japan over the past decade (mainly because of tobacco control measures and increasing taxation).

In response to these developments, **Japan Tobacco International** (JTI), owners of Austria Tabak and other major tobacco companies, has reduced its production sites and **shifted production to the emerging markets**. The firm has vigorously promoted the globalisation of its tobacco business and steadily broadened its business base, currently owning 28 production sites world-wide. JTI reduced the number of marketed cigarette brands to the most promising ones and adapted the production processes to the new global set-up allowing them to assign production volumes flexibly to the factories with free capacities.

Austria submitted the application under the intervention criterion of Article 2(c) of Regulation (EC) No 1927/2006. This provision allows applicants to derogate from the requirements of Articles 2(a) and 2(b) in small labour markets or in exceptional circumstances when redundancies have a serious impact on employment and the local economy. In this case the applicant must specify which of the main eligibility requirements its application fails to meet, and thus from which it is seeking a **derogation**. The Austrian authorities specified that the application seeks to derogate from Article 2(a), where the normal threshold is at least 500 redundancies over a four-month period.

The application cites a total of 320 redundancies in *Austria Tabak GmbH*, and 13 further suppliers and downstream producers during the period from 20 August 2011 to 19 December 2011.

Austria justifies the request for EGF support and the use of the exceptional circumstances criterion by the particular situation of the cross-border area where the redundancies occurred and the serious impact of the redundancies on the local and regional economies and labour markets (internal competition with Slovakian workers weakening even more the job market).

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 Austria, the proposed contribution from the EGF to the coordinated package of personalised services is **EUR 3 941 999**, representing 65% of the total cost.

IMPACT ASSESSMENT: not applicable.

FINANCIAL IMPLICATION: 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 3 941 999, 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 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.

The Commission presents separately a transfer request in order to enter in the 2013 budget specific commitment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006. Appropriations from the EGF budget line will be used to cover the amount needed for the present application.

Mobilisation of the European Globalisation Adjustment Fund: redundancies in the tobacco industry in Austria

2013/2048(BUD) - 28/03/2013 - Budgetary report tabled for plenary, 1st reading

The Committee on Budgets adopted the report by Frédéric DAERDEN (S&D, BE) on the proposal for a decision of the European Parliament and of the Council on the mobilisation of the European Globalisation Adjustment Fund for a total amount of **EUR 3 941 999** in commitment and payment appropriations to assist Austria hit by redundancies in the tobacco industry.

Members recall that the European Union with its European Globalisation Adjustment Fund (EGF) has set up a legislative and budgetary instrument to provide additional support to workers made redundant as a result of major structural changes in world trade patterns and to assist their reintegration into the labour market. Given that Austria submitted an application for a financial contribution from the EGF, following 320 redundancies in Austria Tabak GmbH and in 14 suppliers and downstream producers with 270 workers targeted for EFG co-funded measures, during the four-month reference period from 20 August 2011 to 19 December 2011, Members request the institutions involved to make the necessary efforts to improve procedural and budgetary arrangements in order to accelerate the mobilisation of the EGF for the requested amount. They agree with the Commission that the conditions set out in Article 2(c) of the EGF Regulation are met and that **Austria is therefore entitled to a financial contribution under that Regulation**.

The *Austria Tabak* case: Members emphasise the fact that the closure of Austria Tabak, the then second-largest employer in the Bruck an der Leitha district, with many small businesses linked to the enterprise, has put the district in a particularly difficult situation. In September 2011, the number of job vacancies had almost halved (-47%), compared to the same month in the previous year, whereas for Niederösterreich (NUTS II level) and at national level, this decline was much lower (-4% and -7%, respectively). They recall that at NUTS II level, the Land of Niederösterreich was also affected by other mass redundancies for which EGF applications were submitted to the Commission in 2009 and 2010.

Members welcome the fact that in order to provide workers with speedy assistance, the Austrian authorities decided to initiate the implementation of the personalised measures on 15 November 2011, well ahead of the final decision on granting the EGF support for the proposed coordinated package. They recall the importance of improving the employability of all workers by means of adapted training and the recognition of skills and competences gained throughout a worker's professional career. They welcome the proposed coordinated package of personalised services and the detailed descriptions of the measures presented in the Commission proposal. They welcome the fact that the training on offer is combined with the future economic prospects and the future skills and qualification needs in the region.

Members draw the attention to the subsistence allowance for workers on training and on job search which is said to amount **EUR 1 000 per worker per month** which will be combined with training allowance of EUR 200 per worker per month. They recall that the EGF should in the future be primarily allocated to training and job search as well as occupational orientation programs and its **financial contribution to allowances should always be of additional nature and in parallel to what is available to dismissed workers** by virtue of national law or collective agreements.

Learn lessons from the implementation of the EGF: Members request the institutions involved to make the necessary efforts to improve procedural and budgetary arrangements in order to **accelerate the mobilisation of the EGF**. They hope that **further improvements in the procedure will be integrated in the new Regulation on the European Globalisation Adjustment Fund (2014–2020)** and that greater efficiency, transparency and visibility of the EGF will be achieved.

Members reiterate their position as regards the processing of an application of this kind:

- the need to ensure a smooth and rapid procedure for the adoption of the decisions on the mobilisation of the EGF,
- the fact that assistance from the EGF must not replace actions which are the responsibility of companies by virtue of national law or collective agreements nor measures restructuring companies or sectors;
- EGF assistance can co-finance only active labour market measures which **lead to durable, long-term employment**;
- the need to obtain information on the coordinated package of personalised services to be funded from the EGF including information on complementarity with actions funded by the Structural Funds.

Budget appropriations: Members welcome the fact that following requests from Parliament, the 2013 budget shows payment appropriations of EUR 50 million on the EGF budget line 04 05 01. They recall that the EGF was created as a separate specific instrument with its own objectives and deadlines and that, therefore, it deserves a dedicated allocation, which will avoid transfers to the extent possible from other budget lines, as has happened in the past, which could be detrimental to the achievement of the policy objectives of the EGF.

Lastly, Members regret the decision of the Council to block the extension of the "crisis derogation", allowing for the provision of financial assistance to workers made redundant as a result of the current economic crisis, in addition to those losing their jobs because of changes in global trade patterns.

Mobilisation of the European Globalisation Adjustment Fund: redundancies in the tobacco industry in Austria

2013/2048(BUD) - 16/04/2013 - Budgetary text adopted by Parliament

The European Parliament adopted by 557 votes to 83, with 74 abstentions, a resolution approving the proposal for a decision of the European Parliament and of the Council on the mobilisation of the European Globalisation Adjustment Fund for a total amount of **EUR 3 941 999** in commitment and payment appropriations to assist Austria hit by redundancies in the tobacco industry.

Parliament recalls that the European Union with its European Globalisation Adjustment Fund (EGF) has set up a legislative and budgetary instrument to provide additional support to workers made redundant as a result of major structural changes in world trade patterns and to assist their reintegration into the labour market. Given that Austria submitted an application for a financial contribution from the EGF, following 320 redundancies in Austria Tabak GmbH and in 14 suppliers and downstream producers with 270 workers targeted for EFG co-funded measures, during the four-month reference period from 20 August 2011 to 19 December 2011, Parliament requests the institutions involved to make the necessary efforts to improve procedural and budgetary arrangements in order to accelerate the mobilisation of the EGF for the requested amount. It agrees with the Commission that the conditions set out in Article 2(c) of the EGF Regulation are met and that **Austria is therefore entitled to a financial contribution under that Regulation**.

The *Austria Tabak* case: Parliament emphasises the fact that the closure of Austria Tabak, the then second-largest employer in the Bruck an der Leitha district, with many small businesses linked to the enterprise, has put the district in a particularly difficult situation. In September 2011, the number of job vacancies had almost halved (-47%), compared to the same month in the previous year, whereas for Niederösterreich (NUTS II level) and at national level, this decline was much lower (-4% and -7%, respectively). It also recalls that at NUTS II level, the Land of Niederösterreich was also affected by other mass redundancies for which EGF applications were submitted to the Commission in 2009 and 2010.

Parliament welcomes the fact that in order to provide workers with speedy assistance, the Austrian authorities decided to initiate the implementation of the personalised measures on 15 November 2011, well ahead of the final decision on granting the EGF support for the proposed coordinated package.

It notes that the coordinated package of personalised services to be co-funded includes measures for the reintegration of 270 workers into employment such as career advice, job search assistance, job mentoring, various types of training and qualification measures, including vocational training in higher technical and vocational schools, apprenticeships/internships in enterprises, practical on-the-job training, intensive support for workers aged over 50 as well as training and subsistence allowances during the training and active job search.

Parliament also welcomes the proposed coordinated package of personalised services and the detailed descriptions of the measures presented in the Commission proposal. It welcomes the fact that the training on offer is combined with the future economic prospects and the future skills and qualification needs in the region.

It draws the attention to the subsistence allowance for workers on training and on job search which is said to amount **EUR 1 000 per worker per month** which will be combined with training allowance of EUR 200 per worker per month. Members recall that the EGF should in the future be primarily allocated to training and job search as well as occupational orientation programs and its **financial contribution to allowances should always be of additional nature and in parallel to what is available to dismissed workers** by virtue of national law or collective agreements. They regret that EUR 4 266 000 of the total cost of the package amounting to EUR 5 864 615 is devoted to various financial allowances, a similar proportion to previous cases and recommend that a proportionate amount should be dedicated to training-related measures in future mobilisations.

Learn lessons from the implementation of the EGF: Parliament requests the institutions involved to make the necessary efforts to improve procedural and budgetary arrangements in order to **accelerate the mobilisation of the EGF**. It hopes that **further improvements in the procedure will be integrated in the new Regulation on the European Globalisation Adjustment Fund (2014–2020)** and that greater efficiency, transparency and visibility of the EGF will be achieved.

Parliament reiterates its position as regards the processing of an application of this kind:

- the need to ensure a smooth and rapid procedure for the adoption of the decisions on the mobilisation of the EGF,
- the fact that assistance from the EGF must not replace actions which are the responsibility of companies by virtue of national law or collective agreements nor measures restructuring companies or sectors;
- EGF assistance can co-finance only active labour market measures which **lead to durable, long-term employment**;
- the need to obtain information on the coordinated package of personalised services to be funded from the EGF including information on complementarity with actions funded by the Structural Funds.

Budget appropriations: Parliament welcomes the fact that following requests from Parliament, the 2013 budget shows payment appropriations of EUR 50 million on the EGF budget line 04 05 01. It recalls that the EGF was created as a separate specific instrument with its own objectives and deadlines and that, therefore, it deserves a dedicated allocation, which will avoid transfers to the extent possible from other budget lines, as has happened in the past, which could be detrimental to the achievement of the policy objectives of the EGF.

Lastly, Parliament regrets the decision of the Council to block the extension of the "crisis derogation", allowing for the provision of financial assistance to workers made redundant as a result of the current economic crisis, in addition to those losing their jobs because of changes in global trade patterns.

Mobilisation of the European Globalisation Adjustment Fund: redundancies in the tobacco industry in Austria

2013/2048(BUD) - 17/05/2013 - Final act

PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in the tobacco industry in Austria.

NON-LEGISLATIVE ACT: Decision 2013/276/EU of the European Parliament and of the Council on the mobilisation of the European Globalisation Adjustment Fund, in accordance with point 28 of the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management (application EGF/2011/010 AT/*Austria Tabak* from Austria).

CONTENT: by means of this Decision, the European Parliament and the Council mobilise the sum of **EUR 3 941 999** in commitment and payment appropriations from the European Globalisation Fund for the financial year 2013.

This sum is made available to assist Austria in respect of redundancies in *Austria Tabak GmbH,* as well as in 14 suppliers and downstream producers (tobacco industry).

Given that this application complies with the requirements for determining the financial contributions as laid down in Regulation (EC) No 1927/2006 (EGF Regulation), Parliament and the Council respond by granting the above-mentioned sum.

To recap, the European Globalisation Adjustment Fund (EGF) aims 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 allows for the mobilisation of the Fund through a flexibility mechanism, within the annual ceiling of EUR 500 million.