EN

COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 30.9.2009
COM(2009) 515 final

Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the mobilisation of the European Globalisation Adjustment Fund

EXPLANATORY MEMORANDUM

The Interinstitutional Agreement of 17 May 2006[1] 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. Eligibility rules applicable to the contributions from the Fund are laid down in Regulation (EC) N° 1927/2006 of the European Parliament and of the Council of 20 December 2006[2] on establishing the European Globalisation Adjustment Fund . This Regulation has been last amended by Regulation (EC) N° 546/2009[3] which broadens the scope for application of the EGF. The amended Regulation is applicable for applications received from 1 May 2009.

The Commission services have carried out a thorough examination of the applications submitted by Belgium and Ireland in accordance with Regulation (EC) N° 1927/2006 and in particular with Articles 2, 3, 4, 5 and 6 thereof.

The most important elements of the assessments can be summarised as follows:

Cases EGF/2009/004 BE/Oost en West Vlaanderen textiles and EGF/2009/005 BE/Limburg textiles

1. The two applications were received by the Commission from the Belgian authorities on 5 May 2009, and supplemented by additional information submitted by the Member State up to 29 June 2009. They were based upon the specific intervention criteria of Article 2(b) of Regulation (EC) No 1927/2006 of the European Parliament and of the Council on establishing the European Globalisation Adjustment Fund, and were submitted within the deadline of 10 weeks referred to in Article 5 of that Regulation.

   Since these applications were received after the 1 May 2009, they were assessed (in accordance with Article 2 of Regulation (EC) No 546/2009 of the European Parliament and of the Council of 18 June 2009 amending Regulation (EC) No 1927/2006 on establishing the European Globalisation Adjustment Fund[4]) on the basis of the new rules laid down in Regulation (EC) No 546/2009.

2. Belgium submitted these applications under the intervention criterion of Article 2(b) of the EGF Regulation, which requires at least 500 redundancies over a 9-month period in a NACE (statistical classification of economic activities) Revision[5] division 13 ('manufacture of textiles') in two contiguous NUTS II (nomenclature of territorial units for statistics) regions of East (BE230) and West Flanders (BE225) and a single NUTS II region, Limburg (BE220), respectively. The two applications demonstrate that a total of 2 199 redundancies occurred in 46 enterprises operating in the Belgian textiles sector during the period of reference:

---

[1] OJ C 139, 14.6.2006, p. 1.
[2] OJ L 406 of 30.12.2006, p. 1.
[3] OJ L 167of 29.06.2009, p. 26.
[4] OJ L 167, 29.6.2009, p. 26
[5] Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains (OJ L 393 of 30.12.2006).

3. For application EGF/2009/004 BE/Oost en West Vlaanderen textiles, **1 568** redundancies occurred during the nine-month period of reference from 31 May 2008 to 28 February 2009, of which 881 in East Flanders and 687 in West Flanders.

For application EGF/2009/005 BE/Limburg textiles, **631** redundancies occurred during the eight-month period of reference from 1 August 2008 to 31 March 2009.

4. In order to establish the link between the redundancies and the major structural changes in world trade patterns, Belgium argues[6] in both applications that there has been an increase of 23 % of imports of textiles into the Community-25 for the period 2003 – 2007; for the same period the export of textiles from the Community-25 to the rest of the world only increased by 3.6 %. The trade balance for textiles for the Community-25 decreased from a surplus of EUR 2,3 billion in 2003 to a deficit of EUR 744,8 million in 2007. The applicant further uses statistics from the World Trade Organisation to demonstrate a decrease of the Community-27 market share in textiles from 37.9 % in 2003 to 33.9 % in 2007. The textiles industry in Belgium has also been directly affected by a delocalisation of production to third countries, in particular Turkey and China, due to significantly lower labour costs.

5. The Belgian authorities argue that the impact of the rapid liberalisation of the Chinese import quota in 2002 and 2005 on the European textiles sector was not foreseen. This situation was further exacerbated by the liberalisation of import quotas for Chinese textiles and other third countries such as Turkey and by high import duties on textiles from the Community in countries such as Brazil and India. According to the applicant, the situation was further exacerbated by the collapse of the real estate market in the United Kingdom (UK) since November 2007 and the resultant drop in UK imports of textiles, such as carpets, upholstery and furnishing fabrics. The recent economic and financial crisis added further to the downturn.

6. The local and regional impact is set out as follows in the applications :

The applicant states that 86.6 % of the jobs in the textiles industry in Belgium are located in the three NUTS II regions concerned by the two applications. Between 2005 and 2007, 3 419 jobs were already lost in the textiles industry, i.e. a reduction of 12.5 %, whereas in the same period the reduction was only 0.7 % for the manufacturing sector as a whole. The current number of direct job losses in the textiles industry, covered by both applications, as well as the ensuing number of indirect job losses in sectors such as transport, maintenance and catering will have a significant impact on local and regional employment. The situation will be further exacerbated by the low job mobility in the textiles industry (the internal mobility in the textiles industry is only 2 % against 5.5 % for the Flemish labour market as a whole). In addition, as a result of the current economic and financial crisis a large number of job losses in other sectors have occurred in the regions concerned.

In conclusion, in such circumstances, the redundancies can be seen to have a significantly negative effect on the local and regional labour market.

6 EURATEX – SITC Nomenclature.

7. The applications concern 2 199 redundancies in BE/Oost en West Vlaanderen textiles, and in BE/Limburg textiles. Belgium decided to target the total of 2 199 workers for assistance.

8. As regards the fulfilment of the criteria set out in Article 6 of Regulation (EC) No 1927/2006 the applications provided the following elements:

The Belgian authorities confirmed that the financial contribution from the EGF does not replace measures which are the responsibility of companies by virtue of national law or collective agreements.

The Belgian authorities demonstrated that the actions provide support for individual workers and are not to be used for restructuring companies or sectors.

The Belgian authorities confirmed that the eligible actions do not receive assistance from other Community financial instruments.

In conclusion, for the reasons set out above, it is proposed to accept applications EGF/2009/004 BE/Oost en West Vlaanderen textiles and EGF/2009/005 BE/Limburg textiles submitted by Belgium, relating to the redundancies in 39 enterprises in East and West Flanders and 7 enterprises in Limburg involved in manufacturing activities falling under NACE Revision 2 division 13 ('manufacture of textiles') in two contiguous NUTS II regions of East (BE230) and West Flanders (BE225) and in a single NUTS II region Limburg (BE220), respectively, as evidence has been provided that these redundancies result from major structural changes in world trade patterns which have led to a serious economic disruption, affecting the regional or local economy. A co-ordinated package of eligible personalised services has been proposed of which the requested contribution of the EGF is EUR 7 519 625 for application EGF/2009/004 BE/Oost en West Vlaanderen textiles and EUR 1 679 249 for application EGF/2009/005 BE/Limburg textiles, that is **EUR 9 198 874** in total..

Case EGF/2009/08 IE/Dell

9. The application was received by the Commission from the Irish authorities on 29 June 2009 and supplemented by additional information submitted by the Member State in June and July 2009. It was based upon the specific intervention criteria of Article 2(a) of Regulation (EC) No 1927/2006 of the European Parliament and of the Council on establishing the European Globalisation Adjustment Fund, and was submitted within the deadline of 10 weeks referred to in Article 5 of that Regulation.

Since this application was received after the 1 May 2009, it was assessed (in accordance with Article 2 of Regulation (EC) No 546/2009 of the European Parliament and of the Council of 18 June 2009 amending Regulation (EC) No 1927/2006 on establishing the European Globalisation Adjustment Fund[7]) on the basis of the new rules laid down in Regulation (EC) No 546/2009.

10. Ireland submitted the application under the intervention criteria of Article 2(a) of Regulation (EC) No 1927/2006which requires at least 500 redundancies over a four-month period. This period of four months runs from 3 February 2009 to 2 June 2009.

[7] OJ L 167, 29.6.2009, p. 26

The application EGF/2009/08 IE/Dell concerns a total of 2 840 redundancies of whom 1 135 were made redundant during the reference period and a further 1 705 before and after the reference period. The application states that Dell Products (Manufacturing) Limited is situated in the NUTS 3 Region of the Mid-West . The region comprises the counties of Limerick, Clare and North Tipperary, as well as the city of Limerick, Ireland's fourth largest urban area.

11. In order to establish the link between the redundancies and the financial and economic crisis, Ireland argues that world trade patterns in the computer manufacturing industry have been significantly impacted by the global economic and financial crisis. This has exacerbated the effects of changes already occurring in world trade patterns, and has resulted in major manufacturers, such as Dell, being forced or encouraged earlier than they might otherwise have planned, to seek out countries with lower production and labour costs.

Dell's model for the production of desktop computers included a customisation centre close to its markets. Given the size of desktop computers it was economical to customise them in relatively high-cost production centres like Ireland, as the shipping cost to their European customers was significantly lower than it would have been from Asia. The company's competitive advantage since its inception had been its 'Direct Model' where it sold directly to customers, customising the finished product to the customer's requirements. As global notebook computer shipments topped those of desktops for the first time in the third quarter of 2008, and as notebooks offer less option for customisation, production can more easily be outsourced to Asian locations and shipping costs are less.

The scheduled redundancies in Dell in Limerick, and its suppliers in the region, were caused by the company's decision to transfer 'mobile PC'[8] production from Limerick to Asian original design manufacturers, largely based in China. With mobile PC production gone, the Limerick site would have been left with a small amount of desktop manufacturing which would not have had the economies of scale to remain viable – the decision was therefore made to also cease desktop manufacturing in Limerick. Dell's production of PCs in Europe is now limited to the company's existing factory in Łódź, Poland (for notebooks and desktops). The move to outsourcing to China was driven by three key industry developments: competitive cost pressure from Asia; the growth of mobile PC sales and the use of retail channels; and the growth of the BRIC (Brazil, Russia, India, China) markets, which are typically more price sensitive and less brand-aware.

12. The local and regional impact is set out as follows in the application: The scale of Dell's importance in Limerick is highlighted by their share of manufacturing employment and total employment in the Mid West Region. Of the 30 700 employed in the manufacturing sector, approx. 10.4 % were employed within Dell. This represents 1.7 % of total employment in the Region in 2008. Studies have shown[9] that there was an approximate ratio of 170 jobs dependent on every 100 permanent fulltime Dell employees in 2007.

8 A category that includes laptops, notebooks and netbooks.

9 Sources: Dell - An outline impact evaluation, 23 December 2008 (Forfás) and Employment and Value of Dell Operations, 24 February 2009 (Forfás).

The number of persons on the 'Live Register', which is a barometer of unemployment levels, in the Mid West Region showed an increase of 7 848 persons between 3 January 2009 and 10 May 2009 (from 26 272 to 34 120 persons registered).

The loss in the region of over 2 800 jobs from the redundancies at Dell and ancillary enterprises is estimated to equate to at least a 10 % drop in regional manufacturing employment and a 1.7 % drop in total employment.

In conclusion, in these circumstances, the redundancies can be seen to have a significantly negative effect on the local and regional economy.

13. The application concerns 2 840 redundancies in Dell Ireland, of which 2 400 are targeted for assistance. Of the 2 840 workers made redundant, a proportion has found alternative employment, or is following training outside the package proposed for EGF funding. Ireland therefore decided to target a total of 2 400 workers for assistance.

14. As regards the fulfilment of the criteria set out in Article 6 of Regulation (EC) No 1927/2006, the application provided the following elements: The Irish authorities confirmed that the financial contribution from the EGF does not replace measures which are the responsibility of companies by virtue of national law or collective agreements. The Irish authorities demonstrated that the actions provide support for individual workers and are not to be used for restructuring companies or sectors. The Irish authorities confirmed that the eligible actions do not receive assistance from other Community financial instruments.

In conclusion, for the reasons set out above, it is proposed to accept application **EGF/2009/08 IE/Dell** submitted by Ireland, relating to the redundancies in Dell, as evidence has been provided that these redundancies result from major structural changes in world trade patterns, exacerbated by the global economic and financial crisis, which have led to a serious economic disruption, affecting the regional and local economy. A co-ordinated package of eligible personalised services has been proposed of which the requested contribution of the EGF is **EUR 14 831 050.**

Financing

The total annual budget available for the EGF is EUR 500 million. An amount of EUR 13 077 700 has already been mobilised for prior applications in 2009 leaving an amount of EUR 486 922 300 available.

The Commission's proposed allocation under the Fund is based on the information made available by the applicant.

On the basis of the applications for support from the Fund submitted by Belgium and Ireland in which the textiles sector and the computer manufacturing industry were affected, the total estimates of the coordinated packages of personalised services to be funded are as follows:

	(in EUR)
EGF/2009/004 BE/Oost en West Vlaanderen textiles	**7 519 625**
EGF/2009/005 BE/Limburg textiles	**1 679 249**
EGF/2009/08 IE/Dell	**14 831 050**

Total	**24 029 924**

In the light of the examination of these applications[10], and considering the maximum possible amount of a grant from the EGFestablished in accordance with Article 10 of Regulation (EC) No 1927/2006 as well as the scope for reallocating appropriations, the Commission proposes to deploy the EGF for a total amount of EUR **24 029 924,** to be allocated under heading 1a of the financial framework.

The requested amount of support 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 deploy the Fund, the Commission initiates the simplified trialogue procedure, as required by Point 28 of the Inter-institutional Agreement of 17 May 2006, in view of securing the agreement of the two arms of the budgetary authority on the need to use the Fund 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 will present a transfer request in order to enter in the 2009 budget specific commitment and payment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.

10 Communication to the Commission on an applications to mobilise the European Globalisation Adjustment Fund introduced by Belgium (SEC(2009) 1154) and Ireland (SEC(2009)1207) setting out the analysis of the Commission.

Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the mobilisation of the European Globalisation Adjustment Fund

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

Having regard to the Inter-institutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management[11], and in particular point 28 thereof,

Having regard to Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 establishing the European Globalisation Adjustment Fund[12], and in particular Article 12(3) thereof,

Having regard to the proposal from the Commission[13],

Whereas:

(1) The European Globalisation Adjustment Fund (EGF) was established 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.

(2) The scope of the EGF was broadened for applications submitted from 1 May 2009 to include support for workers made redundant as a result of the global financial and economic crisis.

(3) The Interinstitutional Agreement of 17 May 2006 allows the mobilisation of the EGF within the annual ceiling of EUR 500 million.

(4) Belgium submitted two applications to mobilise the EGF, in respect of redundancies in the textiles sector, on 5 May 2009. These applications comply with the requirements for determining the financial contributions as laid down in Article 10 of Regulation (EC) No 1927/2006, therefore the Commission proposes to deploy an amount of **EUR 9 198 874.**

(5) Ireland submitted an application to mobilise the EGF, in respect of redundancies in the computer manufacturing industry, on 29 June 2009. This application complies with the requirements for determining the financial contributions as laid down in Article 10 of Regulation (EC) No 1927/2006, therefore the Commission proposes to deploy an amount of **EUR 14 831 050**.

---

11 OJ C 139, 14.6.2006, p. 1.

12 OJ L 406, 30.12.2006, p. 1.

13 OJ C […], […], p. […].

(6) The EGF should, therefore, be mobilised in order to provide a financial contribution for the applications submitted by Belgium and Ireland.

HAVE DECIDED AS FOLLOWS:

Article 1

For the general budget of the European Union for the financial year 2009, the European Globalisation Adjustment Fund shall be mobilised to provide the sum of **EUR 24 029 924** in commitment and payment appropriations.

Article 2

This Decision shall be published in the *Official Journal of the European Union*.

Done at Brussels,

For the European Parliament	*For the Council*
The President	*The President*