

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

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in the ship building sector in Denmark.

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

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

Denmark: application EGF/2010/025 DK/Odense Steel Shipyard from Denmark: on 6 October 2010, Denmark submitted application EGF/2010/025 DK/Odense Steel Shipyard for a financial contribution from the EGF, following redundancies in Odense Steel Shipyard in Denmark. The application was supplemented by additional information up to 8 March 2011. The application relates to 1 356 redundancies in total in Odense Steel Shipyard. Following a survey, the applicant Member State has concluded that close to 70 % of the workers affected will wish to benefit from the EGF measures.

In order to establish the link between the redundancies and the global financial and economic crisis, Denmark argues that shipyards in Europe over the last decades have been losing substantial market shares to Asia. The global financial and economic crisis then further affected the global shipbuilding market, such that, according to the Community of European Shipyards' Associations (CESA), the global orderbook dropped from 194.2 million CGT to 156.2 million CGT between 2008 and 2009, while new orders dropped from 43 million CGT to 16.5 million CGT during the same period.

Denmark 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 710 redundancies in Odense Steel Shipyard during the reference period from 13 April 2010 to 31 July 2010 as well as a further 646 during the period from 10 August 2009, when the shipyard closure announcement was made, to January 2011 (incl.).

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 Denmark, the proposed contribution from the EGF to the coordinated package of personalised services is EUR 14 181 901, representing 65 % of the total cost.

IMPACT ASSESSMENT: no impact assessment was carried out.

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 14 181 901** 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 triologue 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 triologue meeting will be convened.

The Commission presents separately a transfer request in order to enter in the 2011 budget specific commitment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.