

COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 10.8.2009
COM(2009) 423 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) No 1927/2006 of the European Parliament and the Council of 20 December 2006 establishing the European Globalisation Adjustment Fund[2].

The Commission services have carried out a thorough examination of the application submitted by Germany in accordance with Regulation (EC) No 1927/2006 and in particular with Articles 2, 3, 4, 5 and 6 thereof.

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

Case EGF/2009/002 DE / Nokia

1. The application was received by the Commission from the German authorities on 6 February 2009, and supplemented by additional information submitted by the Member State up to 20 May 2009. It was based upon the specific intervention criteria of Article 2(a) of Regulation (EC) No 1927/2006, and was submitted within the deadline of 10 weeks referred to in Article 5 of that Regulation.

2. Germany submitted this application under the intervention criterion of Article 2(a) Regulation (EC) No 1927/2006, which requires at least 1,000 redundancies over a 4-month period in an enterprise including workers made redundant in its suppliers and downstream producers. The application demonstrates that a total of 1 337 redundancies occurred in one enterprise: Nokia GmbH during 4-month period of reference (from 30 July 2008 to 29 November 2008).

3. Analysis of the link between the redundancies and the major structural changes in world trade patterns is based on the following information. The redundancies were caused by the decision of the telecommunications group Nokia to close its factory in Bochum. Germany indicates that the redundancies follow from a general trend[3] amongst mobile phone manufacturers towards a delocalisation of their production to the "emerging" markets in the Asia Pacific region, which are characterised by high growth rates of demand for mobile phones. The production of mobile phones has been delocalised not only to China, but also to South Korea, India, Mexico and Brazil. The applicant states that the low wage countries have also become attractive as location for R&D activities. Reference is made to the research and development (R&D) centres for mobile phones that Nokia has developed in China, Hong Kong, Macao and Taiwan.

4. The local and regional impact is set out as follows in the application :

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1 OJ C 139, 14.6.2006, p. 1.
2 OJ L 406, 30.12.2006, p. 1.
3 This trend was already established in the Commission assessment of application EGF/2007/003 DE/BenQ (SEC(2007)1142) and EGF/2007/004 FI/Perlos (SEC(2007)1228)

The territories concerned by the redundancies are the city of Bochum, the administrative region of Arnsberg at NUTS II (nomenclature of territorial units for statistics) level and the Land North Rhine Westphalia at NUTS I level. The main responsible stakeholders are the Bochum Labour Office, the central office of the Federal Employment Office, the regional directorate North Rhine Westphalia, the Ministry for Labour, Health and Social Affairs of North Rhine Westphalia, IG Metall North Rhine Westphalia, Nokia GmbH and the transfer company PEAG.

The applicant states that the redundant workers fall within the competence of 4 local employment offices: Bochum, Gelsenkirchen, Recklinghausen and Dortmund, all of which have traditionally an unemployment rate that is significantly higher than in other parts of North Rhine Westphalia and in Germany. In December 2008, for example, the unemployment rate reached 10,2 % for Bochum, 12,3 % for Gelsenkirchen, 10,7 % for Recklinghausen and 12,2 % for Dortmund, whereas for North Rhine Westphalia it was 8,1 % and for Germany 7,4 %. In the context of the current economic and financial crisis the employment situation in the affected areas seems particularly vulnerable, given the presence of the automotive (Opel) and steel industry in Bochum and Dortmund, the still ongoing reconversion from coal mining to other labour intensive sectors in Gelsenkirchen and the dependence of Recklinghausen of one big supplier to the car industry (Hella) and the chemical industry manufacturing synthetic materials for the automotive industry.

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

5. The application concerns 1 337 redundancies in Nokia GmbH, of which 1 316 are targeted for assistance.

6. 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 German 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 German authorities have given assurances that the actions provide support for individual workers and are not to be used for restructuring companies or sectors. The German 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/2009/002 DE/Nokia** submitted by Germany, relating to the redundancies in one enterprise Nokia GmbH, 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 employment and the local economy. A co-ordinated package of eligible personalised services has been proposed of which the requested contribution of the EGF is **EUR 5 553 850.**

Financing

The total annual budget available for the EGF is EUR 500 million. An amount of EUR 7 523 850 has already been mobilised for prior applications in 2009 leaving an amount of EUR 492 476 150.
The Commission's proposed allocation under the Fund is based on the information made available by the applicant.

On the basis of the application for support from the Fund submitted by Germany in support of workers made redundant by Nokia GmbH, the total estimates of the coordinated package of personalised services to be funded is as follows:

EGF/2009/002 DE/ NOKIA	**Total : EUR 5 553 850**

In the light of the examination of this application[4], and considering the maximum possible amount of a grant from the Fund determined in accordance with Article 10 of Regulation (EC) N° 1927/2006 as well as the scope for reallocating appropriations, the Commission proposes to deploy the European Union Globalisation Adjustment Fund for a total amount of **EUR 5 553 850**, to be allocated under heading 1a of the financial framework.

This amount of support will leave more than 25 % of the maximum annual amount earmarked for the EGF available for allocation during the last four months of the year 2009, 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 also 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.

[4] Communication to the Commission on an application to mobilise the European Globalisation Adjustment Fund introduced by Germany (SEC(2009)1094) setting out the analysis of the Commission on the request.

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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[5], 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[6], and in particular Article 12(3) thereof,

Having regard to the proposal from the Commission[7],

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

(3) Germany submitted an application to mobilise the EGF, in respect of workers made redundant by Nokia GmbH on 6 February 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 5 553 850.

(4) The EGF should, therefore, be mobilised in order to provide a financial contribution for the application submitted by Germany,

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5 OJ C 139, 14.6.2006, p.1.
6 OJ L 406, 30.12.2006, p. 1.
7 OJ C […], […], p. […]

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 5 553 850** 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*