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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 26.3.2009
COM(2009) 150 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 2006¹ 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 1927/2006² of the European Parliament and the Council.

The Commission services have carried out a thorough examination of the application submitted by Spain in accordance with Regulation (EC) 1927/2006 and in particular with Articles 2, 3, 4, 5 and 6 thereof. At its initiative the Commission proposes to mobilise technical assistance in accordance with Article 8 of Regulation (EC) 1927/2006.

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

Case EGF/2008/004 ES/Castilla y León and Aragón

1. The application was received by the Commission from the Spanish authorities on 29 December 2008 and complemented by additional information received on 8 January, 17 and 23 February 2009. It was 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 was submitted within the deadline of 10 weeks referred to in Article 5 of that Regulation.
2. Spain submitted this application under the intervention criterion of Article 2(b) of the EGF Regulation, which requires at least 1,000 redundancies over a 9-month period in a NACE 2 (statistical classification of economic activities) REV 2 division³ in one region or two contiguous regions at NUTS II (nomenclature of territorial units for statistics) level. The application demonstrates that a total of 1,082 redundancies occurred in twelve enterprises classified in the NACE 2 REV 2 division 29 ('manufacture of motor vehicles, trailers and semi-trailers') and all located in two contiguous regions at NUTS II level during the 9-month period of reference (from 31 January 2008 to 31 October 2008).
3. Analysis of the link between the redundancies and the major structural changes in world trade patterns is based on the following information. Spain argues that for nine of the dismissing enterprises the redundancies result from an increase in imports of motor cars and their components into the Community and a decrease in the Community market share in the production of motor vehicles. For the remaining three dismissing enterprises, also affected by the deteriorating position of Community motor car production on the world market, the dismissals are a direct result of a delocalisation of production to countries outside the Community: Lear Corporation is moving its production from Avila to Morocco, Iberian Nissan Motor from Avila to Taiwan and Delphi Packard Spain from Zaragoza to Turkey.

¹ OJ C 139, 14.6.2006, p. 1.

² OJ L 406, 30.12.2006, p. 1.

³ 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, 30.12.2006, p. 1

4. The application uses EUROSTAT trade statistics for the Community-25 to illustrate a substantial increase (in value) between 2003 and 2007 of imports into the Community of motor vehicles in general and passenger cars in particular. For motor vehicles imports increased by 45 % and exports by 31 %, for passenger cars imports increased by 44 % and exports by only 22 %. Spain, in particular, which until 2004 was a net exporter of motor cars and motor vehicle components, became a net importer and this trend is continuing, with a trade deficit growing annually.

The applicant further refers to motor vehicle production statistics⁴ to demonstrate a decrease of the Community market share between 2004 and 2007. The Community-27 market share in the world production of motor vehicles decreased from 28.4 % in 2004 to 26.9 % in 2007. In the same period, the production in absolute terms increased by 7.5 % in the Community-27, against a growth rate of 13.3 % worldwide. As has been shown in the Commission assessment⁵ on previous EGF cases, this decrease in Community market share is part of a lasting trend. In 2001 the Community-27 share in world car production was still 33.7%.

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

The territories concerned by the redundancies are the autonomous communities of Castilla y León and Aragón, within which the provinces of Avila, Salamanca and Zaragoza are the most affected, given a strong presence of the motor vehicle manufacturing industry in these areas. The number of workers in the motor car industry as a whole in Spain decreased significantly over the last four years. In 2007 alone, about 10,000 jobs were lost in this sector, and the applicant expects that, for 2008, this number will be even higher. In the motor car component industry alone, the number of workers decreased from more than 251,000 in 2004 to 245,000 in 2007. Given the strong presence of the motor car industry in some provinces in Castilla y León and of Aragón, these provinces are significantly impacted by the reduction of employment in this sector.

In Castilla y León, the number of registered unemployed workers increased by 3 % from 117,479 in January 2008 to 121,182 in September 2008. For the province of Avila that is the most affected by the dismissals in this application, in particular those in Lear Corporation and in Nissan Motor Ibérica, the number of unemployed workers increased during the same period by 12 % from 7,993 to 8,976.

In Aragón, the number of registered unemployed workers increased by 23 % from 41,192 in January 2008 to 50,818 in September 2008. For the province of Zaragoza, which is the most affected by the dismissals in this application, the number of unemployed workers increased during the same period by 26 % from 30,446 to 38,431.

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

⁴ Statistics provided by the International Organisation of Motor Vehicle Manufacturers
⁵ SEC(2007)881 on application EGF/2007/02 FR/Renault and SEC(2007)882 on application EGF/2007/01 FR/PSA

6. Of the 1,082 workers made redundant, Spain decided to target 588 workers for assistance, namely the workers made redundant by Lear Corporation and Nachi industrial, both located in Castilla y León and by Delphi Packard España Automotive Connections and Equipments, Auxiliar de Componentes Eléctricos located in Aragón. The applicant explains that, for the redundant workers in the other enterprises in the Castilla y León, where smaller number of redundancies occurred, it has not been possible to reach agreement with the representatives of the workers and the enterprises on a package of measures for their re-integration into the labour market, because of their profile, their predisposition to find a new job or other reasons. As regards the workers made redundant in the region of Aragón, the applicant states that the workers with the biggest difficulties for re-integration into the labour market are targeted for assistance from the EGF. The criteria used for the selection were not only the economic characteristics of the area concerned, but also the skills, the capacity to adapt, the gender and the previous work experience of the workers concerned.
7. 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 Spanish 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 and demonstrated that the actions provide support for individual workers and are not to be used for restructuring companies or sectors. The Spanish 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/2008/004 ES/Castilla y León and Aragón** submitted by Spain, relating to the redundancies in twelve enterprises involved in manufacturing activities in NACE 2 REV 2 division 29 ('manufacture of motor vehicles, trailers and semi-trailers') in two contiguous NUTS II regions Castilla y León (ES41) and Aragón (ES24), 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 2 694 300**.

Technical Assistance at the initiative of the Commission

Article 8 (1) of Regulation (EC) 1927/2006⁶ of the European Parliament and the Council of 20 December 2006 on establishing the European Globalisation Adjustment Fund provides that:

"At the initiative of the Commission, subject to a ceiling of 0.35 % of the financial resources available for that year, the EGF may be used to finance monitoring, information, administrative and technical support, audit, control and evaluation activities necessary to implement this Regulation."

The contribution will be used for expenditure mentioned in Articles 8 (1) and 9 (2) of Regulation (EC) 1927/2006, as detailed hereunder.

⁶ OJ L 406, 30.12.2006, p. 1

8. Information : The EGF web site, which the Commission is required to set up and maintain under Article 9(2) of Regulation (EC) 1927/2006, will be regularly updated and expanded, each new element also being translated into all Community languages. The press folder will be printed, and the annual report of the EGF will be produced, translated, printed and distributed. The EGF will also be covered in various Commission publications and audio-visual activities. Costs for these items are estimated at EUR 160,000 in 2009.
9. Administrative and technical support : The Expert Group of Contact Persons of the EGF⁷, with 27 members, one from each Member State, will be holding two meetings in 2009, budgeted at EUR 35,000 per meeting, therefore for a total estimated at EUR 70,000.

The Commission will be organising the exchange of best practices among the Member States, enabling participants with experience of EGF implementation to network with each other, and be assisted by an expert preparing documentation and reports. The networking activity is estimated at EUR 160,000.
10. Evaluation : Preparatory activities for the mid-term evaluation of the EGF, as laid down in Article 17 paragraph 1(a) Regulation (EC) 1927/2006, will be started in 2009. Following a call for tenders, the first commitments for EUR 300,000 will be made in early 2009. Payment appropriations of EUR 300,000 will also be required for these evaluation activities.
11. As regards monitoring, audit and control : No contribution of EGF technical assistance is planned for these categories in 2009.
12. The ceiling of 0.35 % mentioned in Article 8 (1) of Regulation (EC) 1927/2006, when applied to EUR 500 million, provides that a maximum of EUR 1.75 million can be made available for technical assistance at the initiative of the Commission each year. The amount of EUR 690,000 being proposed for mobilisation as technical assistance at the initiative of the Commission in 2009, stays well below this maximum.

In conclusion, for the reasons set out above, it is proposed to allocate technical assistance at the initiative of the Commission for a total of **EUR 690,000**.

Financing

The total annual budget available for the European Globalisation Adjustment Fund is EUR 500 million.

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 Spain in which the motor vehicle sector was affected, total estimates of the coordinated packages of personalised services to be funded and the amount for technical assistance at initiative of the Commission are as follows:

⁷ <http://ec.europa.eu/transparency/regexpert/detail.cfm?ref=2100>

	(in EUR)
Spain/Castilla y León and Aragón	2 694 300
Technical Assistance	690 000
Total	3 384 300

In the light of the examination of these applications⁸, 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 3 384 300**, 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 European Globalisation Adjustment Fund available for allocation during the last four months of the year 2008, as required by Article 12 (6) of Regulation (EC) N° 1927/2006.

By presenting this proposal to deploy the Fund, the Commission initiates the simplified dialogue 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 dialogue 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.

⁸ Communication to the Commission on an application to mobilise the European Globalisation Adjustment Fund introduced by Spain (SEC(2009) 322) setting out the analysis of the Commission on the request and Communication on technical assistance at the initiative of the Commission from the European Globalisation Adjustment Fund (SEC(2008)2986).

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 management⁹, 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 Fund¹⁰, and in particular Article 12(3) thereof,

Having regard to the proposal from the Commission¹¹,

Whereas:

- (1) The European Globalisation Adjustment Fund (the "Fund") 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 Fund within the annual ceiling of EUR 500 million.
- (3) Spain submitted an application to mobilise the Fund, in respect of redundancies in the motor vehicle sector, on 29 December 2008. 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 2 694 300.
- (4) Furthermore, the Commission proposes to deploy an amount of EUR 690 000 from the Fund for technical assistance in accordance with Article 8 of Regulation (EC) No 1927/2006.
- (5) The Fund should, therefore, be mobilised in order to provide a financial contribution for the application submitted by Spain as well as to address the need for technical assistance,

⁹ OJ C 139, 14.6.2006, p. 1.

¹⁰ OJ L 406, 30.12.2006, p. 1.

¹¹ 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 **3 384 300** 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
The President

For the Council
The President