Mobilisation of the European Globalisation Adjustment Fund: redundancies in textiles and automobile sectors

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PURPOSE: the mobilisation of the European Globalisation Adjustment Fund (EGF) for two cases of redundancies in the textiles sector (Malta) and the automobile sector (Portugal).

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

CONTENT: the Regulation (EC) No 1927/2006 of the European Parliament and of the Council created a European Globalisation Adjustment Fund 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 (see COD/2006/0033). The Interinstitutional Agreement of 17 May 2006 allows the mobilisation of the Fund within the annual ceiling of EUR 500 million.

-Malta (application EGF/2007/08/MT/Textiles): the application presented by the Maltese authorities to the Commission on 12 September 2007 relates to a total of 675 redundancies in two manufacturing companies operating in the Maltese textiles sector, namely VF (Malta) Ltd. and Bortex Clothing Ind. Co Ltd. For *VF*, which is part of the multinational firm VF Corporation, the 562 redundancies were the result of the decision of this multinational to close down its factory in Malta, with effect from 31 July 2007, and move production to sites in Asia. For *Bortex*, a Maltese firm with production sites in Malta and Tunisia, the 113 redundancies were caused by the decision to reduce its activities in Malta by closing down its sewing line as from 14 September 2007, while continuing with pressing, storage and distribution activities to clients within the Community and making prototypes.

A general trend of the clothing and accessories industry in the Community to delocalise their production to lower cost non-EU countries, such as China, India and Turkey is proven. Before its accession, Malta's textile exports went predominantly to the Member States. Due to increased competition from outside the EU, the textiles sector in Malta has now come under pressure. Given the small size of the Maltese labour market, these redundancies correspond to 0.4 % of total employment.

In these circumstances, the Commission proposes to accept the application submitted by Malta. A coordinated package of eligible personalised services for the amount of EUR 1 362 207 has been proposed, of which **the requested contribution from the EGF is EUR 681 207**.

-Portugal (application EGF/2007/10/PT/Lisboa-Alentejo): the application presented by the Portuguese authorities to the Commission on 9 October 2007 relates to 1 549 redundancies in two companies located in the Alentejo region (Opel Portugal and Johnson Controls) and one company located in the contiguous region of Lisboa (Alcoa Fujikura) during the 9-month period of reference lasting from 20 December 2006 to 20 September 2007. These redundancies result from a rapid decline of the Community share in world motor vehicle production, which, according to the International Organisation of Motor Vehicle Manufacturers (OICA), was 30.6 percent (for EU-15) in 2001, but had declined to 26.9 percent (for EU-25) by 2006.

In Portugal, the resulting pressure from competitors is reflected in Portuguese production figures declining from 251 000 vehicles in 2002 to 227 000 in 2006. Registrations of unemployed persons in the motor vehicle sector in the whole of mainland Portugal during the 8-month period January to August 2007 were

0.7 % higher than during the same 8-month period in 2006. For the Lisboa-Alentejo region alone, the increase in unemployment over the same period was 7.5%, demonstrating the severity of the crisis, for both the sector and the region, during the first eight months of 2007.

In these circumstances, the Commission proposes to accept the application submitted by Portugal. A coordinated package of eligible personalised services for the amount of EUR 4 851 350 has been proposed, of which **the requested contribution from the EGF is EUR 2 425 675**.

Financing: in the light of the examination of these two applications, the Commission proposes to deploy the European Globalisation Adjustment Fund for a total amount of **EUR 3 106 882**, to be allocated under heading 1a of the financial framework. This support will leave more than 25 % of the maximum annual amount earmarked for the EGF available for allocation during the last four months of 2008.