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

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PURPOSE: mobilisation of the European Globalisation Adjustment Fund with respect to the recent redundancies in the automobile sector (Spain) and the textile sector (Lithuania).

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

CONTENT: Spain and Lithuania have submitted applications in accordance with Regulation (EC) 1927 /2006 which lays down the eligibility rules applicable to the contributions from the European Globalisation Adjustment Fund (EGF).

Case EGF/2008/02/ES/Delphi: the application was presented by the Spanish authorities to the Commission on 6 February 2008. It concerns 1 589 redundancies, of which 1 521 occurred in Delphi Automotive Systems España, S.L.U. ("Delphi") in Puerto Real, bay of Cadiz, Andalucía (Spain), a manufacturer of components for the automobile industry. The production of motor vehicle components will be relocated to the tax free zone of Tangier (Morocco). The Commission describes the analysis of the link between the redundancies and the major structural changes in world trade patterns. The Spanish authorities claim that the closure of the Delphi factory in Puerto Real could not have been foreseen. Andalucía, where Delphi is located, is the autonomous region with the second highest unemployment rate in Spain. Due to the closure of the Delphi factory at the end of July 2007, the registered number of unemployed people in the industrial sector increased by 19.4 % between July and August 2007. In these circumstances, the redundanc ies can be seen as having a significantly negative effect on the local economy in Puerto Real, Andalucía. Spain has 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 has given assurances that the actions provide support for individual workers and are not to be used for restructuring companies or sectors.

It is proposed to accept application EGF/2008/02/ES/Delphi, 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, which affects the local economy. A coordinated package of eligible personalised services for the amount of EUR 20 943 557 has been proposed of which the requested contribution of the EGF is **EUR 10 471 778.**

Case EGF/2008/03/LT/Alytaus Tekstile: the application was presented by the Lithuanian authorities on 8 May 2008. It concerns 1 089 redundancies following the closing down of Alytaus Tekstile, a textile manufacturing company. Lithuania argues that the redundancies are the result of a general migration of worldwide textile and clothing production towards lower-cost Asian countries, in particular China. The closure of Alytaus Tekstile was unforeseen as several major customers of the company relocated their low value-added production to Asian countries and the company had to face an unexpected rise in energy costs. Almost all of the 1 089 dismissed workers live in Alytus city municipality, where the share of the unemployed in the working-age population went up from 3% in 2006 to 3.9% in 2007 (i.e. after Alytaus Tekstil had gone bankrupt), whereas in the country as a whole this figure decreased from 3.3% to 2.9%. Lithuania has 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 has given assurances that the actions provide support for individual workers and are not used for restructuring of companies or sectors. It is proposed to accept application EGF/2008/03/ LT/Alytaus Tekstile submitted by Lithuania relating to the redundancies following closing down of Alytaus Tekstile manufacturing company, 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 local economy. A co-ordinated package of eligible personalised services for the amount of EUR 597 987 has been proposed of which the requested contribution of the EGF is **EUR 298 994.** The Commission proposes to deploy the European Union Globalisation Adjustment Fund for a total amount of **EUR 10 770 772**, to be allocated under heading 1a of the financial framework.