Mobilisation of the European Globalisation Adjustment Fund: redundancies in the automotive sector in Spain

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PURPOSE: to mobilise the European Globalisation Fund in respect of redundancies in the automobile sector in Spain.

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 applications submitted by Spain. These are as follows:

Spain: EGF/2010/002 ES/Cataluña automoción: on 29 January 2010, Spain submitted application EGF /2010/002 ES/Cataluña automoción for a financial contribution from the EGF, following redundancies in 23 enterprises operating in the NACE Revision 2 Division 29 (manufacture of motor vehicles, trailers and semitrailers) in the NUTS II region Cataluña (ES51) in Spain. The application was supplemented by additional information up to 26 April 2010.

In order to establish the link between the redundancies and the global financial and economic crisis, Spain argues that the economic crisis has put the automotive sector worldwide under particular pressure. In the second quarter of 2009 and after the 12 successive months of decline in the production, the total vehicle production in EU was 39.5 % lower than a year earlier. The downturn has severely affected all major car manufacturers in the European market. The global financial and economic crisis has had a serious impact on demand for vehicles in Spain and in its export markets. In 2008 new car registrations in Spain declined by 28% compared with the previous year. As the Spanish car sector exports 85 % of its production, mainly within the EU, this decline in exports and domestic demand had a strong negative impact on employment in the automotive sector.

Spain submitted this application under the intervention criteria of Article 2(b) of Regulation (EC) No 1927 /2006, which requires at least 500 redundancies over a nine-month period in enterprises operating in the same NACE Revision 2 Division in one region or two contiguous regions at NUTS II level in a Member State. The application cites 2 330 redundancies in 23 enterprises classified in the same NACE Revision 2 Division during the nine-month reference period from 23 February 2009 to 22 November 2009, all located in a single region (ES51) at NUTS II level, Cataluña.

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 Spain, the proposed contribution from the EGF to the coordinated package of personalised services is EUR 2 752 935, 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 2 752 935** 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, as required by Article 12(6) of Regulation (EC) No 1927/2006. By presenting this proposal to mobilise the EGF, the Commission initiates the simplified trialogue 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.