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

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in the automobile industry 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 application submitted by Spain to mobilise the EGF. The main elements of the assessment are as follows:

**Spain:application EGF/2010/023ES/Lear, Spain**:on 23 July 2010, Spain submitted application EGF /2010/023 ES/Lear for a financial contribution from the EGF, following redundancies in the enterprise Lear Automotive (EEDS) Spain, S.L. Sociedad Unipersonal ('Lear') in Spain. The application was supplemented by additional information up to 10 August 2010.

In order to establish the link between the redundancies and the global financial and economic crisis, Spain argues that this crisis has put the automotive sector worldwide under particular pressure. The Commission has already recognised that, as some 60-80% (depending on the Member State) of new cars in Europe are purchased with the aid of credit, the financial crisis at the origin of the downturn has hit the automotive industry particularly severely. In the second quarter of 2009, after 12 successive months of decline, total vehicle production in the EU was 39.5% lower than a year earlier. The downturn has severely affected all major car manufacturers in the European market as well as their suppliers. 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, mainly due to tight credit conditions, very low consumer confidence and declining consumer purchasing power. Moreover, the global nature of the crisis also led to a sales drop by 9.6% for vehicles manufactured in Spain and sold abroad. At the same time, the fall in demand for electrical equipment for cars, which followed the decline in car manufacturing, combined with the impossibility of further reducing production costs, resulted in the closedown of the Lear production plant in Roquetes (Catalonia).

Spain submitted this application under the intervention criteria of Article 2(a) of Regulation (EC) No 1927 /2006, which requires at least 500 redundancies over a four-month period in an enterprise in a Member State, including workers made redundant in its suppliers and downstream producers. The application cites 501 redundancies in the single enterprise Lear during the four-month reference period from 14 January 2010 to 14 May 2010 and a further 14 redundancies outside the reference period, but related to the same collective redundancies procedure.

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 382 000**, 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 382 000** 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.

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. In case of disagreement by either of the two arms of the budgetary authority, a formal trialogue meeting will be convened.

The Commission presents separately a transfer request in order to enter in the 2010 budget specific commitment and payment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.