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

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in the automotive sector in France.

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 France to mobilise the EGF. The main elements of the assessment are as follows:

France: EGF/2009/019 FR/Renault: on 9 October 2009, France submitted application EGF/2009/019 FR /Renault for a financial contribution from the EGF, following redundancies in Renault s.a.s. and seven of its subsidiaries in France. The application was supplemented by additional information up to 10 February 2011.

In order to establish the link between the redundancies and the global financial and economic crisis, France argues that Renault suffered from the increasing cost of credit and the hardening of credit conditions from 2008 onwards, which seriously affected the ability of the enterprise to fund its own activities in the short term as well as its investment plans or the future. At the same time, consumers also felt the tightening of credit and the effects of the global financial and economic crisis, leading to anxiety about job security and the postponement of vehicle purchases. Despite the temporary measures introduced by some Member States (e.g. scrappage schemes), registrations of new Renault cars in Europe dropped by 6.5% between 2007 and 2008. This downward tendancy accelerated during the fourth quarter of 2008, when new registrations dropped from -15.2% in October 2008 to - 27.5% in December 2008 compared with the same period of 2007.

France 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 1 384 redundancies in Renault s.a.s. and six suppliers during the four-month reference period from 1 April 2009 to 31 July 2009 and a further 3 061 redundancies in Renault s.a.s. and seven suppliers outside the reference period, but included in the same voluntary redundancy plan.

All of these redundancies were calculated in accordance with the first indent of the second paragraph of Article 2 of Regulation (EC) No 1927/2006. 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 France, the proposed contribution from the EGF to the coordinated package of personalised services is **EUR 24 493 525**, representing 65% of the total cost.

IMPACT ASSESSMENT: no impact assessment was carried out.

FINANCIAL IMPLICATIONS: 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 referred to above, 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. In case of disagreement by either of the two arms of the budgetary authority, a formal trialogue meeting will be convened.

The remaining amount of payment appropriations initially entered on the budget line 04.0501 after adoption by both arms of the budgetary authority of the proposals submitted to date for mobilising the EGF is EUR 808 079 and is therefore **not sufficient to cover the amount of EUR 24 493 525** needed for the present application. As a reinforcement of the EGF budget line 04.0501 by EUR 50 000 000 is foreseen through AB2/2011, this budget line will be used to cover the amount of EUR 24 493 525 needed for the present application.