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

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

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

Germany: application EGF/2011/003 DE/Arnsberg and Düsseldorf automotive: on 9 February 2011, Germany submitted application EGF/2011/003 DE/Arnsberg and Düsseldorf automotive for a financial contribution from the EGF, following redundancies in five enterprises operating in the NACE Revision 2 Division 29 ('Manufacture of motor vehicles, trailers and semi-trailers') in the NUTS II regions of Arnsberg (DEA5) Düsseldorf (DEA1) in Germany. The application was supplemented by additional information up to 28 April 2011.

In order to establish the link between the redundancies and the global financial and economic crisis, Germany5 argues that, as a consequence of the crisis, demand for new motor vehicles in the European Union (EU) decreased in 2009 by 5.6% compared to 2008. Faced with this drop in demand, manufacturers of motor vehicles reduced their production even more drastically.

This downward trend continued in 2010. The production of motor vehicles in the EU in the first three quarters of 2010 was 14% below that of the same period in 2008. As Germany is the biggest motor vehicle manufacturing country in the EU the crisis had severe consequences for its motor vehicle manufacturing industry. In 2009 the turnover of the motor vehicles manufacturers in Germany decreased by 20% compared to 2008, whereas for the suppliers to these manufacturers the decrease for the same period was 26%. The redundancies covered by the present application concern specifically dismissals by the suppliers.

Germany 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 778 redundancies in five enterprises operating in the NACE Revision 2 Division 29 ('Manufacture of motor vehicles, trailers and semi-trailers') in the NUTS II regions of Arnsberg (DEA5) and Düsseldorf (DEA1) during the nine-month reference period from 1 March 2010 to 1 December 2010.

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 Germany, the proposed contribution from the EGF to the coordinated package of personalised services (including expenditure to implement EGF) is **EUR 4 347 868**, 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 Commission presents separately a transfer request in order to enter in the 2011 budget specific commitment and payment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.

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 4 347 868 needed for the present application.