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

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

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

Portugal: EGF/2011/005 PT/Norte-Centro Automotive: on 6 June 2011, Portugal submitted application EGF/2011/005 PT/Norte-Centro Automotive for a financial contribution from the EGF, following redundancies in three enterprises operating in the NACE Revision 2 Division 29 ('Manufacture of motor vehicles, trailers and semi-trailers') in the NUTS II regions of Norte (PT11) and Centro (PT16) in Portugal. The application was supplemented by additional information up to 18 July 2011.

In order to establish the link between the redundancies and the global financial and economic crisis, Portugal 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 hit the automotive industry particularly severely. According to the European Automobile Manufacturers Association (ACEA), demand for new motor vehicles in the European Union decreased in 2009 by 5.6% compared to 2008 and by 13.3% compared to the pre-crisis year 2007. The EU thus followed the trend noted at worldwide level where demand for new motor vehicles dropped by 5.6% in 2009 compared to 2008. Faced with this drop in demand, manufacturers of motor vehicles reduced their production even more drastically. In 2009 the production of motor vehicles in the EU decreased by 17% compared to 2008 and by 23% compared to 2007. 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.

Portugal 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 726 redundancies in three enterprises operating in the NACE Revision 2 Division 29 ('Manufacture of motor vehicles, trailers and semi-trailers') in the NUTS II regions of Norte (PT11) and Centro (PT16) during the nine-month reference period from 1 July 2010 to 1 April 2011.

All of these redundancies were calculated in accordance with the second 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 Portugal, the proposed contribution from the EGF to the coordinated package of personalised services (including expenditure to implement EGF) is **EUR 1 518 465**, 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 appropriations.

A reinforcement of the payment appropriations on the EGF budget line will be requested through the Global Transfer. Appropriations from this budget line will be used to cover the amount of EUR 1 518 465 needed for the present application.