

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

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in the automobile 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/2010/015 FR/Peugeot: on 5 May 2010, France submitted application EGF/2010/015 FR /Peugeot for a financial contribution from the EGF, following redundancies at two branches of the group PSA Peugeot Citroën (*Peugeot Citroën Automobiles* and *Sevelnord*) in France. The application was supplemented by additional information up to 13 April 2012.

In order to establish the link between the redundancies and the global financial and economic crisis, France argues that the increasingly bleak growth prospects and the tougher credit conditions the crisis has caused have given rise to fears among private individuals concerning the safety of their jobs and have led them to postpone purchasing a vehicle. At the same time, given the deterioration in the economic situation, companies have on the whole also cut down on investments and, consequently, on renewals of their fleet of vehicles.

Thus, despite the temporary measures introduced by some Member States (for example, scrapping programmes), the European vehicle market – particularly in Western Europe, which is the largest market for the group PSA Peugeot Citroën – collapsed suddenly in the second half of 2008, with a 17% decrease in registrations of light passenger and commercial vehicles in Europe (18 Western European countries) in the fourth quarter of 2008, in relation to the same period over the previous year.

The fall in the sales of vehicles due to the global financial and economic crisis has directly affected the economic results of the PSA Peugeot Citroën group, which registered a loss of EUR 344 million over the year 2008, whereas it was still making a profit (EUR 731 million) at the end of the first half of that year. In order to overcome this economic crisis, the PSA Peugeot Citroën group first dramatically reduced the use of temporary labour and then chose to launch a call for voluntary redundancies.

Furthermore, in response to previous applications concerning the motor vehicle industry, the Commission has already recognised that the industry had been particularly hard hit by the financial crisis at the root of

the economic slowdown. The crisis had a severe impact on the major European car manufacturers and their suppliers.

France submitted this application under the intervention criterion of Article 2(a) of Regulation (EC) No 1927/2006, which makes a contribution from the EGT subject to at least 500 redundancies over a four-month period in an enterprise in a Member State, including workers made redundant by its suppliers and downstream producers. The application cites 649 redundancies in PSA Peugeot Citroën over the four-month reference period between 1 November 2009 and 28 February 2010. The application also cites 1 440 other redundancies resulting from the same redundancy plan based on voluntary departures, also in PSA Peugeot Citroën, but outside the reference period.

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 (including expenditure to implement EGF) is **EUR 11 949 666**, 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 EUR 11 949 666 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 dialogue 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 dialogue meeting will be convened.

The Commission presents separately a transfer request in order to enter in the 2012 budget specific commitment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006. Appropriations from the EGF budget line will be used to cover the amount needed for the present application.