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

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

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

Sweden: EGF/2012/005 SE/Saab: on 25 May 2012, Sweden submitted application EGF/2012/005 SE /Saab for a financial contribution from the EGF, following redundancies in *Saab Automobile SA*, one of its subsidiaries and 16 of its suppliers in Sweden. The application was supplemented by additional information up to 20 August 2012.

In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, Sweden holds that the EU-27 in 2010 with 15.1 million units had 26 % of worldwide passenger car production, a major reduction from 34,1 % in 2005 and 35.9 % in 2000. During the same decade, the market share of the BRIC countries had risen from 8.4 % (2000) to 15.8 % (2005) and 33.5 % (2010). The latest semi-annual report from the European Automobile Manufacturers' Association (ACEA) shows that new passenger car registrations in the EU continue to decline. Thus, the June 2012 figure is 2.8 % below that of June 2011, itself 7.3 % below that of June 2010.

Saab's situation had been uncertain over the past few years, with *General Motors* announcing in August 2008 that it wished to sell the company. Following several rounds of fruitless negotiations, the Dutch company *Spyker Cars* bought *Saab* on 23 February 2010. It soon ran into liquidity problems halting production. An attempt to sell the business to a Chinese company failed when *General Motors* refused to assign the licences for the cars it wanted to construct. On 19 December 2011, *Saab Automobile* filed for bankruptcy.

Sweden 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 3 239 redundancies in *Saab Automobile AB* and its subsidiary *SAAB Automobile*

Powertrain AB during the four-month reference period from 19 December 2011 to 19 April 2012 and a further 509 redundancies with 16 subcontractors before the reference period, but related to the same collective redundancy 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 Sweden, the proposed contribution from the EGF is **EUR 5 454 560**, representing 50% 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 of EUR 5 454 560, 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 trilogue 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 trilogue 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.

Source of payment appropriations: after the adoption of the two arms of the Budgetary Authority of the EGF cases currently in the pipeline, the available payment appropriations on the EGF budget line would amount to EUR 6 618. A transfer of EUR 5 447 942 from the European Progress Microfinance Facility would be used to cover the additional amount needed for the present application. The payment needs of the European Progress Microfinance Facility by the end of the year based on the latest estimations provided by the European Investment Fund which is its managing authority allow for the transfer of EUR 5 447 942 to the EGF budget line.