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

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) to assist Spain regarding redundancies in the automotive sector.

PROPOSED ACT: Decision of the European Parliament and of the Council.

CONTENT: the EGF shall not exceed a maximum annual amount of **EUR 150 million** (2011 prices), as laid down in Article 12 of Council Regulation (EU, Euratom) No 1311/2013 laying down the multiannual financial framework for the years 2014-2020.

Regulation (EC) No 1927/2006 established the European Globalisation Adjustment Fund (EGF) in order to provide additional support for workers made redundant as a result of major structural changes in world trade patterns due to globalisation and to assist them with their reintegration into the labour market.

The Commission examined the request to mobilise the EGF with a view to assisting Spain. The main elements of the assessment are as follows:

Spain: EGF/2012/004 ES/Grupo Santana: on 16 May 2012, Spain submitted application EGF/2012/004 ES/Grupo Santana for a financial contribution from the EGF, following redundancies in Grupo Santana and 15 suppliers and downstream producers in Spain. The application was supplemented by additional information up to 28 November 2013.

In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, Spain argues that growth in automobile manufacturing in the EU lags well behind that of its major competitors, thus leading to a loss of EU market share in the sector. Globally, car production increased by 22.4% in 2010, after a 9.6% downturn in 2009. China, at 13.9 million units produced, saw its output grow four times higher than production growth in Europe, expanding by 33.8% compared to 8.3% growth in Europe in 2010. Japan, the world's third largest producer, manufactured 21.1% more cars than in 2009, followed by South Korea (+22.4%), Brazil (+9.8%), India (+29.4%) and the US (+24.4%).

During the period 2004-2010, the production of passenger cars, in absolute terms, increased by 6.7% in the EU-27, against a growth rate of 32.2% worldwide. This decline in EU market share has been observed by the Commission in assessment of previous EGF automotive cases based on trade related globalisation.

To date, the automotive sector has been the subject of the most numerous EGF applications, with 16 cases, of which seven are based on trade related globalisation, while the other nine are crisis related.

Spain submitted the application under the intervention criterion of Article 2(c) of Regulation (EC) No 1927 /2006. This provision allows applicants to derogate from the requirements of Articles 2(a) and 2(b) in small labour markets or in exceptional circumstances when redundancies have a serious impact on employment and the local economy. In this case the applicant must specify which of the main eligibility requirements its application fails to meet, and thus from which it is seeking derogation.

The Spanish authorities specified that the application seeks to derogate from Article 2(a), where the normal threshold is at least 500 redundancies over a four-month period.

The application cites 330 redundancies in Grupo Santana and 15 suppliers during the four-month reference period from 15 November 2011 to 15 March 2012 and a further 689 redundancies outside the reference period, but related to the same collective redundancies 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 Spain, the proposed contribution from the EGF to the coordinated package of personalised services is **EUR 1 964 407**, representing 50% of the total cost.

FINANCIAL IMPLICATION: considering the maximum possible amount of a financial contribution from the EGF under Article 12 of Council Regulation (EU, Euratom) No 1311/2013, as well as the scope for reallocating appropriations, the Commission proposes to mobilise the EGF for the total amount of EUR 1 964 407.

The proposed decision to mobilise the EGF will be taken jointly by the European Parliament and the Council, as laid down in point 13 of the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management.

The Commission presents separately a transfer request in order to enter in the 2014 budget specific commitment appropriations.

Appropriations allocated to the EGF budget line in the 2014 budget will be used to cover the requested amount needed for the present application.