Mobilisation of the European Globalisation Adjustment Fund: redundancies in the manufacture of safety glass for the automotive industry in Belgium

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) to assist Belgium following redundancies in the manufacture of safety glass for the automotive industry.

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

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

The rules applicable to financial contributions from the European Globalisation Adjustment Fund (EGF) are laid down Regulation (EC) No 1927/2006 of the European Parliament and of the Council on the European Globalisation Adjustment Fund.

On 19 December 2013, Belgium submitted application EGF/2013/011 BE/Saint-Gobain Sekurit for a financial contribution from the EGF, following redundancies linked to the closure of the production plant of Saint-Gobain Sekurit Benelux SA ('SGS Benelux') located in Auvelais, near Sambreville.

In this context, the Commission examined the application for mobilisation of the EGF to assist Belgium and concluded the following:

Belgium: EGF/2013/011 BE/Saint-Gobain Sekurit: Belgium submitted its application on 19 December 2013 and supplemented it by additional information up to 4 July 2014.

In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, the Belgian authorities argue that the sector of the manufacture of safety glass for the automotive industry, in which Saint-Gobain Sekurit (SGS) Benelux is active, has undergone serious economic disruption as a result of several factors, such as a decrease in the production of automotive safety glass in the EU, an increase of the market shares of competitors from non-EU countries and an increase in imports of these products into the EU.

According to data referred to by the Belgian authorities, between 2007 and 2012, the production of passenger cars in the EU-27 decreased from 21.9 million units to 19.5 million units (11.3 %; 2.4 % annual growth), whereas, in the rest of the world, it increased from 47.5 million units to 60.6 million units (+ 27.6 %; + 5.0 % annual growth). This reduction in car production levels in the EU, which is linked to the general decrease in consumer demand in the EU as a consequence of the economic crisis, has therefore led to a general reduction in demand for automotive equipment in the EU, which has strongly affected automotive equipment suppliers. In the case of SGS Benelux, for example, during the period preceding the redundancies (2011/2012), Ford, Volvo, and BMW, which were the main direct clients of SGS Benelux, recorded decreases in sales of respectively 12 %, 10 % and 2 %.

This reduction in production levels has led to a weakening of the competitive position of EU producers of automotive safety glass, in particular compared to producers in Turkey or China.

The impacts of these changes in trade patterns have been exacerbated by other factors such as high production costs (in particular labour costs), overcapacity due to the reduction of production levels and low levels of productive investment. As a result, between 2007 and 2012, SGS Benelux recorded an operating loss of EUR 20.46 million.

The Belgian application is based on the intervention criteria of Article 2(c) of the EGF Regulation, under which, in exceptional circumstances, an application may be considered admissible even if the intervention criteria laid down in Articles 2(a) or 2(b) of the EGF Regulation are not met, provided that the redundancies have a serious impact on employment and the local economy.

The application relates to 250 redundancies made at SGS Benelux during a period of four months from 31 August 2013 to 31 December 2013 and to 7 redundancies made at SGS Benelux before 31 August 2014 which are related to the same collective redundancies procedure.

The Belgian authorities argue that exceptional circumstances are applicable because, although the number of redundancies is below the threshold of 500 redundancies, the effects of the redundancies are expected to be significant. In addition, it has been announced that another enterprise belonging to the Saint-Gobain Group, Saint-Gobain Glass Benelux, will also cease production activities at its plant in Auvelais, in September 2014. In total, the number of direct redundancies expected to be caused by the closure of SGS Benelux and Saint-Gobain Glass Benelux is very high (approximately 260 redundancies at SGS Benelux and around 300 redundancies at Saint-Gobain Glass Benelux). These redundancies are likely to have a serious impact on employment and the local economy.

Having examined this application, the Commission has concluded that the conditions for a financial contribution from the EGF are met.

Therefore, the proposed contribution from the EGF to the coordinated package of personalised services is **EUR 1 339 928.**

FINANCIAL IMPLICATION: considering the maximum possible amount of a financial contribution from the EGF, as well as the scope for reallocating appropriations, the Commission proposes to mobilise the EGF for the total amount referred to above which represents 50% of the total cost of actions.

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 2015 budget specific commitment appropriations, as required in Point 13 of the Interinstitutional Agreement of 2 December 2013.