Mobilisation of the European Globalisation Adjustment Fund: redundancies in the manufacture of commercial vehicles in Sweden

2016/2022(BUD) - 16/02/2016 - Non-legislative basic document

PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) to assist Sweden in respect of redundancies in the manufacture of commercial vehicles.

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 in Regulation (EU) No 1309/2013 of the European Parliament and of the Council on the European Globalisation Adjustment Fund (2014-2020) and repealing Regulation (EC) No 1927/2006.

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

Sweden:EGF/2015/009 SE/Volvo Trucks: on 16 September 2015, Sweden submitted application EGF /2015/009 SE/Volvo Trucks for a financial contribution from the EGF, following redundancies in Volvo Group Truck Operation, EMEA and four suppliers and downstream producers in Sweden.

Sweden submitted the application within 12 weeks of the date on which the intervention criteria were met. This deadline expired on 3 February 2016.

In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, Sweden argued that the manufacture of commercial vehicles, a relatively small segment within the large automotive industry, is no longer dominated by European and North American manufacturers. The newly emerging Asian truck manufacturers in China and India have gained access to new technology from joint ventures with established market leaders in the West.

China is now the leader in the global production of commercial vehicles with a share of 34.1 %. The US, the EU and China together account for more than 60% of total world commercial vehicle production.

A serious shift in EU trade was recorded in 2014 with EU manufacturers' exports declining and an increase in the import of vehicles. In 2014, EU commercial vehicle exports showed a decline by EUR 3.9 billion in light commercial vehicles (-12.5%) and EUR 6.3 billion in heavy commercial vehicles, buses and coaches (- 10 %). This led to an overall decline in EU exports (- 11 %).

There are some major trends that will affect and increase global competition within the commercial vehicle industry in coming years. Demographic change and increased urbanisation, regulatory issues such as tolls, taxes, barriers to trade through national legislation, environmental requirements, fuel efficiency, safety and security, etc. These are all factors that will drive up costs, in particular in development and R&D and will increase competition.

The Swedish authorities therefore argues that the partial relocation of the Volvo Umeå department is driven by the need to increase efficiency and decrease cost to meet existing and expected global competition.

The application relates to 470 workers made redundant in Volvo Trucks and 177 in 4 suppliers and downstream producers. The primary enterprise operates in the economic sector classified under the NACE Revision 2 Division 29 (Manufacture of motor vehicles, trailers and semi-trailers).

The redundancies made by the primary enterprise are mainly located in the NUTS level 2 region of SE33 (Upper Norrland).

Basis of the Swedish application: Sweden submitted the application under the intervention criteria of Article 4(1)(a), which requires at least 500 workers being made redundant over a reference period of four months in an enterprise in a Member State, including workers made redundant by suppliers and downstream producers and / or self-employed persons whose activity has ceased.

The application concerns redundancies of 647 workers during the 4 month reference period.

Having examined this application, the proposed contribution from the EGF to the coordinated package of personalised services is **EUR 1 793 710**.

BUDGETARY IMPLICATION: having examined the application in respect of the conditions set out in Article 13(1) of the EGF Regulation, and having taken into account the number of targeted beneficiaries, the proposed actions and the estimated costs, the Commission proposes to mobilise the EGF for the amount of EUR 1 793 710, representing 60% of the total costs of the proposed actions, in order to provide a financial contribution for the application.

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.

At the same time as it presents this proposal for a decision to mobilise the EGF, the Commission will present to the European Parliament and to the Council a proposal for a transfer to the relevant budgetary line for the requested amount.

At the same time as it adopts this proposal for a decision to mobilise the EGF, the Commission will adopt a decision on a financial contribution, by means of an implementing act, which will enter into force on the date at which the European Parliament and the Council adopt the proposed decision to mobilise the EGF.