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

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) to assist Germany faced with redundancies in the automotive sector.

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

CONTENT: the rules applicable to financial contributions from the European Globalisation Adjustment Fund 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 considered the request to mobilise the EGF to assist Germany and stated the following:

Germany - Application EGF/2017/008 DE/Goodyear: on 6 October 2017, Germany submitted the application for a financial contribution from the EGF **following 646 redundancies at Goodyear Dunlop Tires Germany GmbH** in Germany (manufacturing of rubber and plastic products).

In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, Germany argued that **globalisation has had a negative impact on B-segment car tyre production** (encompassing rim sizes ranging from 13 to 16 inches, usually used for small or mid-size vehicles) in the EU. This is due to the fact that Asian suppliers gained significant market shares in the recent years.

The global market share of motor vehicles manufactured in Europe shrunk from 35 % in 2001 to 23 % in 2016. China’s global market share rose over the same period from 5 % to 30 %. Car production in Asia saw a 45 % increase over the past ten years.

From 2015 to 2016, imports into the EU increased by 22 %, while exports decreased by 3 %.

The **global tyre market** has also changed markedly since the turn of the millennium. While the three big global players Bridgestone, Michelin and Goodyear accounted for 57 % of global tyre production in 2000, their significance had diminished worldwide by 2013, to 38 %.

In 2015, in the EU, tyre imports (130 million tyres) far outstripped exports (74 million).

A study revealed that while 77 % of tyres sold in Germany in 2005 belonged to the B tyre segment, such tyre sizes accounted for just 43 % of sales in Germany in 2014, reflecting the shift of production of smaller vehicles to the growth markets of Asia and South America.

The event giving rise to these redundancies is the **complete shutdown of Goodyear's production plant in Philippsburg**. As EU automotive output and market shares have fallen in the wake of globalisation, significant overcapacity has built up in the B segment at Goodyear. This is why Goodyear decided to close the plant in Philippsburg, which has the largest production capacity for tyres in the B segment among Goodyear's European plants.

Basis of the German request: Germany submitted the application under the intervention criteria of Article 4(1)(a) of the EGF Regulation, which requires at least 500 workers being made redundant over a reference period of four months in an enterprise in a Member State.

The reference period for the application runs from 14 July 2017 to 5 October 2017.

The application relates to **646 workers made redundant in Goodyear** Dunlop Tires Germany GmbH, the majority of workers aged between 30 and 54. The redundancies are expected to have a significant adverse effect on the local economy.

Germany is considering **six types of actions** in favour of the dismissed employees that are the subject of the application: (i) upskilling measures; (ii) peer groups/workshops; (iii) business start-up advice; (iv) research; (v) follow-up mentoring; (vi) training allowance.

BUDGETARY IMPLICATION: following its assessment of this application, the Commission has concluded, in accordance with all applicable provisions of the EGF Regulation, that the conditions for awarding a financial contribution from the EGF are met. It proposed to mobilise the EGF for the amount of **EUR 2 165 231**, 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 amount requested.