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Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the mobilisation of the European Globalisation Adjustment Fund in accordance with point 28 of the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management (application EGF/2012/008 IT/De Tomaso Automobili from Italy)

EXPLANATORY MEMORANDUM

Point 28 of the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management¹ 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 rules applicable to the contributions from the EGF are laid down in Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 on establishing the European Globalisation Adjustment Fund².

On 5 November 2012, Italy submitted application EGF/2012/008 IT/De Tomaso Automobili for a financial contribution from the EGF, following redundancies in De Tomaso Automobili S.p.A. in Italy.

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.

SUMMARY OF THE APPLICATION AND ANALYSIS

Key data:	
EGF Reference no.	EGF/2012/008
Member State	Italy
Article 2	(a)
Primary enterprise	De Tomaso Automobili S.p.A.
Suppliers and downstream producers	0
Reference period	5.7.2012 – 28.8.2012
Starting date for the personalised services	15.1.2013
Application date	5.11.2012
Redundancies during the reference period	1 030
Redundancies before and after the reference period	0
Total eligible redundancies	1 030
Redundant workers expected to participate in the measures	1 010
Expenditure for personalised services (EUR)	4 987 732
Expenditure for implementing EGF ³ (EUR)	201 613
Expenditure for implementing EGF (%)	3,89
Total budget (EUR)	5 189 345
EGF contribution (50 %) (EUR)	2 594 672

1. The application was presented to the Commission on 5 November 2012 and supplemented by additional information up to 5 March 2013.
2. The application meets the conditions for deploying the EGF as set out in Article 2(a) of Regulation (EC) No 1927/2006, and was submitted within the deadline of 10 weeks referred to in Article 5 of that Regulation.

Link between the redundancies and major structural changes in world trade patterns due to globalisation

¹ OJ C 139, 14.6.2006, p. 1.

² OJ L 406, 30.12.2006, p. 1.

³ In accordance with the third paragraph of Article 3 of Regulation (EC) No 1927/2006.

3. In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, Italy argues that globally, car production increased by 22,4 % in 2010 (after a 9,6 % downturn in 2009⁴). In total, 58,3 million cars were manufactured in 2010. The EU was the biggest producer, accounting for 26 % of world car production, while the second biggest, China, produced 13,9 million units. Chinese car production increased by 33,8 % in 2010 while car production in Europe grew by only 8,3 %. In the same year (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 %). These figures make it clear 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.
4. The applicant further refers to European motor vehicle production statistics⁵ to demonstrate a decrease of the EU market share between 2004 and 2010. The EU-27 market share in the world production of motor vehicles decreased from 28,4 % in 2004 to 26,3 % in 2010. In the same period, 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 decrease in EU market share is part of a longer trend, as has been stated by the Commission in its assessments of previous EGF automotive cases based on trade related globalisation (in 2001, the EU-27 share in world car production was still 33,7 %). The declining share of the European market as a proportion of the world market for passenger cars is also borne out by the Cars 21 final report, published on 6 June 2012⁶. The main driving force of this redistribution of world market shares are the geographical patterns of consumption, in particular the rapid growth in Asian markets which EU producers are less able to benefit from, being traditionally less well positioned on these markets than elsewhere.
5. To date, the automotive sector has been the subject of the most numerous EGF applications, with 16 cases, of which seven⁷ are based on trade related globalisation.

Demonstration of the number of redundancies and compliance with the criteria of Article 2(a)

6. Italy 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.
7. The application cites 1 030 redundancies in De Tomaso Automobili S.p.A. during the reference period from 5 July 2012 to 28 August 2012. All of these redundancies were calculated in accordance with the third indent of the second paragraph of Article 2 of Regulation (EC) No 1927/2006. The Commission has received the confirmation required under the third indent of the second paragraph of Article 2(2) that this is the actual number of redundancies effected.

Explanation of the unforeseen nature of those redundancies

⁴ International Organization of Motor Vehicle Manufacturers OICA. www.oica.net

⁵ European Automobile Manufacturers' Association ACEA. www.acea.be.

⁶ http://ec.europa.eu/enterprise/sectors/automotive/files/cars-21-final-report-2012_en.pdf

⁷ EGF/2012/008 De Tomaso (the case object of this proposal for decision), as well as, EGF/2007/001 PSA suppliers. COM(2007) 415, EGF/2007/010 Lisboa Alentejo. COM(2008) 94, EGF/2008/002 Delphi. COM(2008) 547, EGF/2008/004 Castilla y León Aragón. COM(2009) 150, EGF/2009/013 Karmann. COM(2010) 007 and EGF/2012/005 Saab. COM(2012) 622

8. The Italian authorities report that De Tomaso S.p.A. is an automobile manufacturer founded in 1959 by the engineer and race car driver Alejandro De Tomaso. After four years manufacturing racing cars the enterprise shifted the production towards sports cars and in the early 70s De Tomaso developed the Panther, a car which gave him international fame and remained in production for two decades. Later on a new line of production (luxury cars) was introduced.
9. In 2009 the heirs of de Tomaso and the shareholders ceded the brand De Tomaso to the Innovation in Auto industry S.p.A. (IAI S.p.A.). Following this agreement, the IAI changed its name to De Tomaso Automobili S.p.A. The new Di Tomaso purchased part of the Pininfarina S.p.A.(a company operating primarily in the areas of industrial design and sustainable mobility) and 900 former Pininfarina workers joined the De Tomaso workforce, as part of a plan that provided for the production of aluminium cars with innovative technology.
10. In 2011 De Tomaso Automobili SpA presented their new vehicle, the De Tomaso Deauville 2011, at the Geneva Motor Show.
11. As reported in the press⁸ the high-end-luxury auto market is not facing the severity of downturn that is hitting mass-market car manufacturers, but neither is growing in the way expected in 2011.
12. The feeble growth combined with the general difficulties encountered by the automotive sector together with the tightening of credit that followed the economic and financial crisis put an extra burden on the enterprise which could not work out a profitable solution and entered into liquidation proceedings in April 2012. In July 2012 the Livorno and the Torino courts declared the enterprise bankrupt.

Identification of the dismissing enterprises and workers targeted for assistance

13. The application relates to 1 030 redundancies in de Tomaso Automobili S.p.A, of which 1 010 are expected to participate in the measures.
14. The break-down of the workers expected to participate in the measures is as follows:

Category	Number	Percent
Men	890	88,12
Women	120	11,88
EU citizens	978	96,83
Non EU citizens	32	3,17
15-24 years old	0	0,00
25-54 years old	898	88,91
55-64 years old	112	11,09
> 64 years old	0	0,00

15. Seven of the targeted workers have longstanding health problems or disability.
16. In terms of occupational categories, the break-down is as follows:

Category	Number	Percent
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⁸ <http://www.examiner.com/article/global-luxury-car-crisis>
<http://www.spiegel.de/international/business/crisis-hits-carmakers-daimler-and-porsche-cut-expectations-for-2013-a-857183.html>
<http://www.bloomberg.com/news/2012-09-27/ferrari-to-lamborghini-can-t-outrun-crisis-as-sales-slow.html>
http://images.forbes.com/forbesinsights/StudyPDFs/automotive-outlook_report.pdf

Technicians and associate professionals	8	0,79
Clerks	48	4,75
Craft and related trades workers	11	1,09
Plant and machine operators and assemblers	943	93,37

17. In accordance with Article 7 of Regulation (EC) No 1927/2006, Italy has confirmed that a policy of equality between women and men as well as non-discrimination has been applied, and will continue to apply, during the various stages of the implementation of and, in particular, in access to the EGF.

Description of the territory concerned and its authorities and stakeholders

18. The territories concerned by the redundancies are the regions of Piemonte and Toscana (NUTS 2 level) and in particular the provinces of Torino and Livorno (NUTS 3 level), where the production plants of De Tomaso Automobili S.p.A were located.
19. The economic activity in the eight Piemonte provinces varies, but is mostly linked to car manufacturing (e.g. Group Fiat) or to the textiles industry. In 2009 the regional GDP of Piemonte decreased by 3,9 %, mainly as a consequence of the impact of the economic and financial crisis on the automotive industry and its ancillary sectors. The reduction of the added value in the manufacturing sector was close to 17 %. In 2010 began a recovery phase of growth (+2 %) which was almost interrupted in 2011 (+0,7 %). In 2012 the number of businesses active in Piemonte was 415 219 representing almost 8% of the total businesses in Italy. Most of these businesses operate in wholesale and retail (24,5 %), followed by construction (17,2 %), agriculture, forestry and fishing (14,5 %) and manufacturing (9,9 %).
20. In 2009, the GDP of the Toscana region also declined, but less than in Piemonte (-2 %), mainly due to the good performance of the service sector which characterizes the regional economy. In 2012 the number of businesses active in Toscana was 365 629 representing 7 % of the total businesses in Italy. The distribution of businesses operating by sector is very similar to Piemonte: wholesale and retail (25,4 %), followed by construction (17,2 %), agriculture, forestry and fishing (13,3 %) and manufacturing (11,5 %).
21. The main stakeholders are the Regione Piemonte and Regione Toscana, the Torino and Livorno (NUTS 3) public authorities and in particular the Torino and Grugliasco local authorities, as well as Confindustria Livorno and SIT (employers representatives) and the following trade unions: Confederazione Italiana del lavoro (CISL) and FIM CISL; Confederazione Generale Italiana del Lavoro (CGIL) and FIOM CGIL; Unione Italiana del Lavoro (UIL) and UILM UIL; and FISMIC, Sindacato autonomo metalmeccanici e industrie collegate.

Expected impact of the redundancies as regards local, regional or national employment

22. In Piemonte about 36 million hours were taken up by CIG⁹ in 2008 while in 2011 the number of hours taken up by CIG quadrupled and reached up to 146 million hours. In Toscana the number of hours rose by 58,8 % in 2010 compared with 2008 and

⁹ CIG is a scheme under Italian law, consisting of a financial benefit paid by Istituto Nazionale della Previdenza Sociale-INPS (National Institute of the Social Security) in support of workers suspended from undertaking their work or working reduced hours.

decreased by 12 % in 2011 compared with the previous year. Despite this decline 48 million hours were taken up by CIG in 2011.

23. The 1 030 former workers of De Tomaso Automobili S.p.A covered by this application, to whom CIG Straordinaria for cessation of activity following bankruptcy has been granted, will further aggravate the situation in the territories concerned by the redundancies.

Co-ordinated package of personalised services to be funded and a breakdown of its estimated costs, including its complementarity with actions funded by the Structural Funds

24. All the following measures combine to form a co-ordinated package of personalised services which aims at re-integrating the redundant workers into employment:
- Vocational guidance, outplacement and job search assistance: This first measure provided to all participants includes information on available services and training programmes; profiling and skills assessment of the workers; working out of an individual project and an action plan; as well as job-search assistance including information on available jobs, active research of the local and regional employment opportunities and job-matching.
 - Training, re-training and vocational training. This includes the recognition of prior experience (i.e. the evaluation of prior knowledge and experience of each individual worker as well as the identification of areas where further training is required) as well as diverse pathways of training which can be part of the regional catalogue of training courses or ad-hoc training organised to respond to the workers' demands. The worker will receive a training voucher as a means of payment for the relevant training. This measure also provides for agreements with enterprises willing to hire former employees of De Tomaso, so that the hiring enterprise receives a contribution for the on-the-job training expenses up to EUR 1500 conditional on re-employment of workers under either permanent contracts or fixed-term contracts of at least 12 months.
 - Accompanying measures towards business creation. Specific accompanying activities for those workers who wish to start their own business will be provided, such as identification of business ideas, establishing a business plan, raising finance, etc.
 - Contribution to business start-up. The workers who set up their own businesses will receive EUR 5 000 as a contribution to cover setting-up costs.
 - Hiring benefit. The enterprise which re-employs under a permanent contract a former De Tomaso worker will receive up to EUR 6 300. When hiring a disabled worker or a worker with caring responsibilities towards a disabled person, EUR 1 350 will top-up the hiring benefit which cannot exceed in any case the maximum amount of EUR 6 300. The contribution will be granted upon request by the company after the completion of recruitment, in accordance with the rules and procedures established by the region.
 - Job-search allowance. The workers participating in the EGF co-funded measures will receive a job-search allowance which will be calculated according to the number of actual hours of active participation in the measures. On average the participation per worker is estimated at 86 hours.

- Contributions towards special expenses. This includes two types of contributions (1) Contribution for carers of dependent persons: Workers with dependent persons (children, elderly or disabled persons) could be reimbursed up to EUR 1 000 of the expenses incurred for carers of dependent persons, conditional upon participation in the measures. This aims to cover the additional costs faced by the workers with caring responsibilities in order to avail themselves of training or other measures. (2) Contribution to commuting expenses: the workers participating in the measures, who will commute from their town of residence to the town where the measures take place, will have their commuting expenses reimbursed up to EUR 1 000.
25. The expenditure for implementing the EGF, which is included in the application in accordance with Article 3 of Regulation (EC) No 1927/2006, covers preparatory, management and control activities as well as information and publicity.
26. The personalised services presented by the Italian authorities are active labour market measures within the eligible actions defined by Article 3 of Regulation (EC) No 1927/2006. The Italian authorities estimate the total costs at EUR 5 189 345, of which the expenditure for personalised services at EUR 4 987 732 and the expenditure for implementing the EGF at EUR 201 613 (3,89 % of the total amount). The total contribution requested from the EGF is EUR 2 594 672 (50 % of the total costs).

Actions	Estimated number of workers targeted	Estimated cost per worker targeted (EUR) (*)	Total costs (EGF and national cofinancing) (EUR) (**)
Personalised services (first paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Vocational guidance, outplacement and job search assistance <i>(Orientamento professionale, outplacement e assistenza alla ricerca attiva)</i>	1 010	1 351	1 364 975
Training, re-training and vocational training <i>(Attività di formazione e riqualificazione)</i>	1 010	1 565	1 580 500
Accompanying measures towards business creation. <i>(Promozione dell'auto-imprenditorialità)</i>	20	3 000	60 000
Contribution to business start-up <i>(Contributo all'auto-imprenditorialità)</i>	20	5 000	100 000
Hiring benefit <i>(Contributo per l'assunzione dei lavoratori svantaggiati)</i>	200	4 500	900 000
Job-search allowance <i>(Indennità per la ricerca attiva)</i>	1 010	811	819 257
Contributions towards special expenses. <i>(Voucher integrativo e voucher di conciliazione)</i>	135	1 207	163 000
Sub total personalised services			4 987 732
Expenditure for implementing EGF (third paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Preparatory activities			18 064
Management			95 786
Information and publicity			27 329
Control activities			60 434
Sub total expenditure for implementing EGF			201 613
Total estimated costs			5 189 345

EGF contribution (50 % of total costs)		2 594 672
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(*) To avoid decimals the estimated costs per worker have been rounded. However the rounding has no impact on the total cost of each measure which remains as in the application submitted by Italy.

(**) Totals do not tally due to roundings.

27. Italy confirms that the measures described above are complementary with actions funded by the Structural Funds, and that all double financing will be prevented.

Date(s) on which the personalised services to the affected workers were started or are planned to start

28. Italy started the personalised services to the affected workers included in the co-ordinated package proposed for co-financing to the EGF on 15 January 2013. This date therefore represents the beginning of the period of eligibility for any assistance that might be awarded from the EGF.

Procedures for consulting the social partners

29. The social partners involved in the management of the crisis of De Tomaso S.p.A. participated as well in the design of the coordinated package of measures. A steering committee consisting of a representative from the regional authorities, the trade unions and the RSU¹⁰ will ensure the monitoring of the EGF co-funded measures.
30. The Italian authorities confirmed that the requirements laid down in national and EU legislation concerning collective redundancies have been complied with.

Information on actions that are mandatory by virtue of national law or pursuant to collective agreements

31. As regards the criteria contained in Article 6 of Regulation (EC) No 1927/2006, the Italian authorities in their application:
- confirmed that the financial contribution from the EGF does not replace measures which are the responsibility of companies by virtue of national law or collective agreements;
 - demonstrated that the actions provide support for individual workers and are not to be used for restructuring companies or sectors;
 - confirmed that the eligible actions referred to above do not receive assistance from other EU financial instruments.

Management and control systems

32. Italy has notified the Commission that the financial contribution will be managed as follows: The Ministero del lavoro e delle politiche sociali – Direzione Generale per le Politiche attive e Passive del lavoro (MLPS – DG PAPL) is the managing, certifying and audit authority (MLPS – DG PAPL Ufficio A as managing authority; MLPS – DG PAPL Ufficio B as certifying authority and MLPS – DG PAPL Ufficio C as audit authority). The Regione Piemonte and the Regione Toscana will be the intermediate bodies for the managing authority.

¹⁰ *Rappresentanza Sindacale Unitaria* (RSU) is a workers' representative body which exists in every public and private working place. A RSU consists of not fewer than three persons elected by all workers (whether union members or not).

Financing

33. On the basis of the application from Italy, the proposed contribution from the EGF to the coordinated package of personalised services (including expenditure to implement EGF) is EUR 2 594 672, representing 50 % of the total cost. The Commission's proposed allocation under the Fund is based on the information made available by Italy.
34. 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 referred to above, to be allocated under heading 1a of the financial framework.
35. 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, as required by Article 12(6) of Regulation (EC) No 1927/2006.
36. By presenting this proposal to mobilise the EGF, the Commission initiates the simplified triologue 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 triologue meeting will be convened.
37. The Commission presents separately a transfer request in order to enter in the 2013 budget specific commitment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.

Source of payment appropriations

38. Appropriations allocated to the EGF budget line in the 2013 budget will be used to cover the amount of EUR 2 594 672 needed for the present application.

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the mobilisation of the European Globalisation Adjustment Fund in accordance with point 28 of the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management (application EGF/2012/008 IT/De Tomaso Automobili from Italy)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management¹¹, and in particular point 28 thereof,

Having regard to Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 establishing the European Globalisation Adjustment Fund¹², and in particular Article 12(3) thereof,

Having regard to the proposal from the European Commission¹³,

Whereas:

- (1) The European Globalisation Adjustment Fund (EGF) was established 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.
- (2) The Interinstitutional Agreement of 17 May 2006 allows the mobilisation of the EGF within the annual ceiling of EUR 500 million.
- (3) Italy submitted an application to mobilise the EGF, in respect of redundancies in the enterprise De Tomaso Automobili S.p.A., on 5 November 2012 and supplemented it by additional information up to 5 March 2013. This application complies with the requirements for determining the financial contributions as laid down in Article 10 of Regulation (EC) No 1927/2006. The Commission, therefore, proposes to mobilise an amount of EUR 2 594 672.
- (4) The EGF should, therefore, be mobilised in order to provide a financial contribution for the application submitted by Italy,

HAVE ADOPTED THIS DECISION:

Article 1

For the general budget of the European Union for the financial year 2013, the European Globalisation Adjustment Fund (EGF) shall be mobilised to provide the sum of EUR 2 594 672 in commitment and payment appropriations.

¹¹ OJ C 139, 14.6.2006, p. 1.

¹² OJ L 406, 30.12.2006, p. 1.

¹³ OJ C [...], [...], p. [...].

Article 2

This Decision shall be published in the *Official Journal of the European Union*.

Done at Brussels,

For the European Parliament
The President

For the Council
The President