



COMMISSION OF THE EUROPEAN COMMUNITIES

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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

(presented by the Commission)

EXPLANATORY MEMORANDUM

The Interinstitutional Agreement of 17 May 2006¹ 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. Eligibility rules applicable to the contributions from the Fund are laid down in Regulation (EC) No 1927/2006² of the European Parliament and the Council.

The Commission services have carried out a thorough examination of the two applications submitted by France in accordance with Regulation (EC) 1927/2006 and in particular with Articles 2, 3, 4, 5 and 6 thereof.

The most important elements of the assessments can be summarised as follows:

Case EGF/2007/01/FR/Peugeot SA

1. The application was presented by the French authorities to the Commission on 9 March 2007. It was based upon the specific intervention criteria of 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.
2. The application demonstrates a total of 1 345 notified redundancies, involving 18 different enterprises, operating at 38 different sites in eleven French regions, amongst the industry supplying car parts to Peugeot SA (PSA) during the four-month period of reference (1 September 2006 to 31 December 2006). The application, however, proposes to provide assistance co-financed by the EGF, only to the 267 workers made redundant by one of these suppliers, the *Ateliers de Thomé Génot* in Nouzonville (Département des Ardennes), which has gone into liquidation and is no longer in a position to provide effective assistance to its workers.
3. Analysis of the link between the redundancies and the major structural changes in world trade patterns is based on the following information. For the period 2001-2005 the annual world car production increased by 14% from 58.3 million to 66.5 million units, whilst the increase in production in the EU was only 5%. In terms of share in the world car market, the market share of Asia increased by 8 points from 30.7% in 2001 to 38.8% in 2005, that of the American continent decreased by 1.7 points from 30.7% in 2001 to 29.0% in 2005 and that of the EU 27 decreased by 3.7 points from 33.7% in 2001 to 29.9% in 2005. At the same time, Korean and Japanese manufacturers gained in competitiveness on the European market. The number of cars manufactured in Japan and Korea and imported into the EU increased by 27% during the period from 2001 to 2005. These increased imports were mainly competing with the production of smaller cars in the EU.
4. The increase of imports into the EU is confirmed by the statistical data available to the Commission. In 2002 the imports into the EU of cars manufactured outside the EU represented 9.3% of car sales in the EU. In 2006 this share had risen to 13.9%. This phenomenon is confirmed for the lower market segment where the share of

¹ OJ C 139, 14.06.2006, p. 1

² OJ L 406, 30.12.2006, p. 1

imports into the EU of cars manufactured outside the EU in total car sales in the EU was 5.2% in 2002 and 9.2% in 2006.

Although new registrations in the lower segments of the market decreased slightly between 2002 and 2006, new registrations of imported cars in these segments increased by around 70%.

5. As car production by PSA is to a large extent concentrated in these lower segments, France claims that these changes in world trade patterns have affected this manufacturer and led to a serious economic disruption. The effect of the increased imports of small cars, in particular from Asia, and the increased competition on the world market has contributed to a certain extent to a reduction of its production in volume (aggregate number of cars and light utility vehicles produced) in France by 14.3% in 2006. This has not resulted in large-scale redundancies in PSA, but has led to the disappearance of several thousands of jobs previously filled by temporary or contract workers. However, in the firms that supply PSA with components, the reduction of activities and pressure on component prices have led to many redundancies, giving rise to this application.
6. As regards the fulfilment of the criteria set out in Article 6 of Regulation (EC) No 1927/2006 France confirmed inter alia 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. France indicated that if an enterprise has gone into judicial liquidation, as is the case of *Ateliers de Thomé Génot*, the enterprise is no longer subject to its obligation to put in place re-employment measures ("mesures de reclassement"). In France the national and local authorities do not have any legal or conventional obligation to intervene in the costs of re-employment measures. According to the French authorities, State intervention in favour of the redundant workers of a company that has gone into judicial liquidation seems unavoidable. EGF assistance is complementing the financial efforts made by France. France confirmed that the envisaged actions provide support for individual workers and are not used for restructuring of companies or sectors. France has confirmed that actions funded under the EGF will not receive assistance from other Community financial instruments.

In conclusion, for the reasons set out above, it is proposed to accept application EGF/2007/01/FR/PSA submitted by France relating to the redundancies in the suppliers of Peugeot SA, as evidence has been provided that these redundancies result from major structural changes in world trade patterns which have led to a serious economic disruption, which, in the case of the *Ateliers de Thomé Génot*, the company for whose workers assistance is sought, affects the local economy. A coordinated package of eligible personalised services for the amount of EUR 5 116 500 has been proposed of which the requested contribution of the EGF is EUR 2 558 250.

Case EGF/2007/02/FR/Renault SA

1. The application was presented by the French authorities to the Commission on 23 March 2007. It was based upon the specific intervention criteria of 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
2. According to the details provided by the French authorities 1 057 redundancies amongst 10 different suppliers to Renault SA, have come into effect during the four-month period between 01/12/2006 and 31/03/2007. EGF support is only requested for the 628 workers of *Cadence Innovation*, with production sites in Burhaupt-le-Haut (Alsace), Vernon (Haute Normandie), Noeux-les-Mines (Nord-Pas-de-Calais) and Pouancé (Pays de la Loire). This enterprise is being wound-up by court order and as such is no longer in a position to provide effective assistance to its workers
3. Analysis of the link between the redundancies and the major structural changes in world trade patterns is based on the following information. For the period 2001-2005 the annual world car production increased by 14% from 58.3 million to 66.5 million units, whilst the increase in production in the EU was only 5%. In terms of share in the world car market, the market share of Asia increased by 8 points from 30.7% in 2001 to 38.8% in 2005, that of the American continent decreased by 1.7 points from 30.7% in 2001 to 29.0% in 2005 and that of the EU 27 decreased by 3.7 points from 33.7% in 2001 to 29.9% in 2005. At the same time, Korean and Japanese manufacturers gained in competitiveness on the European market. The number of cars manufactured in Japan and Korea and imported into the EU increased by 27% during the period from 2001 to 2005. These increased imports were mainly competing with the production of smaller cars in the EU.
4. The increase of imports into the EU is confirmed by the statistical data available to the Commission. In 2002 the imports into the EU of cars manufactured outside the EU represented 9.3% of car sales in the EU. In 2006 this share had risen to 13.9%. This phenomenon is confirmed for the lower market segment where the share of imports into the EU of cars manufactured outside the EU in total car sales in the EU was 5.2% in 2002 and 9.2% in 2006.

Although new registrations in the lower segments of the market decreased slightly between 2002 and 2006, new registrations of imported cars in these segments increased by around 70%.

5. As car production by RSA is to a large extent concentrated in these lower segments, France claims that these changes in world trade patterns have affected this manufacturer and led to a serious economic disruption. The effect of the increased imports of small cars, in particular from Asia, and the increased competition on the world market has contributed to a certain extent to a reduction of its production in volume (number of private cars produced) in France by 3.8 % in 2005 and 14.7% in 2006. This has not resulted in large-scale redundancies in RSA, but has led to the disappearance of several thousands of jobs previously filled by temporary or contract workers. However, in the firms that supply RSA with components, the reduction of activities and pressure on component prices have led to many redundancies, giving rise to this application.

6. As regards the fulfilment of the criteria set out in Article 6 of Regulation (EC) No 1927/2006 France confirmed inter alia 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. In the specific case of "Cadence Innovation", which is being wound-up by court order, France indicated that in such a case the enterprise is no longer subject to its obligation to put in place re-classification measures ("mesures de reclassement"). In France the national and local authorities do not have any legal or conventional obligation to intervene in the costs of re-employment measures. According to the French authorities, State intervention in favour of the redundant workers of a company that has gone into judicial liquidation seems unavoidable. EGF assistance is complementing the financial efforts made by France. France confirmed that the envisaged actions provide support for individual workers and are not used for restructuring of companies or sectors. France has confirmed that actions funded under the EGF will not receive assistance from other Community financial instruments.

In conclusion, for the reasons set out above, it is proposed to accept application EGF/2007/02/FR/Renault submitted by France relating to the redundancies in the suppliers of Renault Société Anonyme (RSA), as evidence has been provided that these redundancies result from major structural changes in world trade patterns which have led to a serious economic disruption, which, in the case of *Cadence Innovation*, the company for whose workers assistance is sought, affects the local economy. A coordinated package of eligible personalised services for the amount of EUR 2 516 060 has been proposed of which the requested contribution of the EGF is EUR 1 258 030.

Financing

The total annual budget available for the European Globalisation Adjustment Fund is EUR 500 million. In 2007, no resources have already been earmarked for earlier applications leaving the full amount available.

The Commission's proposed allocation under the Fund is based on the information made available by the applicant.

On the basis of the two applications for support from the Fund submitted by France in which the automobile industry was affected by redundancies carried out by suppliers of Peugeot SA (PSA) and suppliers of Renault SA (RSA), including two bankruptcies, total estimates of the coordinated packages of personalised services to be funded are as follows:

	Personalised services to be funded (in EUR)
France: PSA 01/2007	2 558 250
France: RSA 02/2007	1 258 030
Total	3 816 280

In the light of the examination of these applications³, and considering the maximum possible amount of a grant from the Fund established in accordance with Article 10 of Regulation (EC) No 1927/2006 as well as the scope for reallocating appropriations, the Commission proposes to deploy the European Union Globalisation Adjustment Fund for a total amount of EUR 3 816 280, to be allocated under heading 1a of the financial framework 2007-2013.

The requested amount of support will leave more than 25% of the maximum annual amount earmarked for the European Globalisation Adjustment Fund available for allocations during the last four months of the year, as required by Article 12 (6) of Regulation (EC) No 1927/2006.

The Commission will present a transfer request in order to enter in the 2007 budget specific commitment and payment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.

³ Communication to the Commission on an application to mobilise the European Globalisation Adjustment Fund introduced by France in the case of Peugeot (SEC(2007) 882) and Communication to the Commission on an application to mobilise the European Globalisation Adjustment Fund introduced by France in the case of Renault (SEC(2007) 881) setting out the analysis of the Commission of the requests.

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THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

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 management⁴, 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 Fund⁵, and in particular Article 12(5) thereof,

Having regard to the proposal from the Commission,⁶

Whereas:

- (1) The European Union has created a European Globalisation Adjustment Fund (the "Fund") to provide additional support to redundant workers who suffer from the consequences of major structural changes in world trade patterns and to assist them with their reintegration into the labour market.
- (2) The Interinstitutional Agreement of 17 May 2006 allows the mobilisation of the Fund within the annual ceiling of EUR 500 million.
- (3) In March 2007 France submitted applications to mobilise the Fund, in respect of two cases concerning redundancies in the automobile sector, specifically suppliers to Peugeot SA and Renault SA. The Commission considers that the two applications meet the intervention criteria and other requirements laid down in Regulation (EC) No 1927/2006.
- (4) The proposed amount of EUR 3 816 280 determined in accordance with Article 10 of Regulation (EC) No 1927/2006 should, therefore, be mobilised,

⁴ OJ C 139, 14.06.2006, p. 1.

⁵ OJ L 406, 30.12.2006, p. 1.

⁶ OJ C [...], [...], p. [...]

HAVE DECIDED AS FOLLOWS:

Article 1

For the general budget of the European Union for the financial year 2007, the European Globalisation Adjustment Fund shall be mobilised to provide the sum of EUR 3 816 280 in commitment and payment appropriations.

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