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## **MEMORANDUM TO THE COMMISSION**

On 29 December 2008 the Spanish authorities applied for a contribution from the European Globalisation Adjustment Fund ('EGF') in order to assist workers made redundant in twelve enterprises operating in NACE 2 REV 2 division 29 ('manufacture of motor vehicles, trailers and semi trailers') in two contiguous NUTS II regions Castilla y León and Aragón. The application was complemented by additional information on 8 January 2009.

The Commission approved<sup>1</sup> the application on 10 February 2009. On 17 February 2009 the Spanish authorities requested the Commission to revise their application, so as to increase the number of workers targeted for assistance. Spain submitted additional information on 23 February 2009. As this additional information changes the number of workers and the amount requested from the EGF the initial Commission assessment of EGF/2008/004 ES/Castilla y León and Aragón has become obsolete and is replaced by the present Communication

The application is based upon the fact that 1 082 jobs were lost in twelve enterprises involved in manufacturing of components for the motor car industry. These redundancies were brought about by major structural changes in the pattern of world trade, in particular an increase of imports into the EU of motor vehicles and their components, a reduction of the EU share in world motor vehicle production and a relocation of production to third countries. The scope and the effects of these changes are of a sufficiently important nature to justify an application to the EGF according to the criteria laid down in Regulation (EC) No. 1927/2006 of the European Parliament and of the Council of 20 December 2006 on establishing the EGF.

The application has been thoroughly examined and assessed by the services of the Commission, in accordance with Regulation (EC) No 1927/2006, in particular with Articles 2, 3, 5 and 6 thereof. The application meets the intervention criteria of Article 2(b) ("redundancies in a NACE 2 division in one region or two contiguous regions at NUTS II level") and the proposed measures are active labour market measures made available to the workers affected for a limited period of time, in conformity with Article 3. Accordingly, it is proposed to mobilise the EGF in this case.

The actions proposed to assist the workers include i.a. guidance, training, support for re-integration and incentives to support active job-searching and the promotion of a rapid re-integration in the labour market even at a lower salary.

The total annual budget available for the EGF is EUR 500 million. So far in 2009, no cases have been accepted for funding. The Commission proposes a contribution of EUR 2,694,300 from the EGF to co-finance a coordinated package of actions designed to assist the re-integration into employment of 588 redundant workers as well as to cover administrative expenditure. The Spanish authorities will contribute an equivalent amount.

### **THE COMMISSION IS INVITED TO**

- **Approve application EGF/2008/004 ES/Castilla y León and Aragón submitted by Spain;**

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<sup>1</sup> SEC(2009)140 of 10.2.2009

- **Submit to the budgetary authority a proposal to authorise appropriations corresponding to EUR 2,694,300 and a request for a transfer of this amount in commitment appropriations to budget line 04.0501 (European Globalisation Adjustment Fund) in accordance with Article 12(3) of Regulation (EC) No 1927/2006;**
- **Authorise the transfer of an identical amount in payment appropriations from budget line 04.0217 (European Social Fund (ESF) – convergence) to budget line 04.0501 (European Globalisation Adjustment Fund).**

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**EGF/2008/004 ES/Castilla y León and Aragón**

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COMMISSION OF THE EUROPEAN COMMUNITIES

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**COMMUNICATION TO THE COMMISSION**

**on an application EGF/2008/004 ES/Castilla y León and Aragón received from Spain for  
a financial contribution from the European Globalisation Adjustment Fund**

## COMMUNICATION TO THE COMMISSION

### on an application EGF/2008/004 ES/Castilla y León and Aragón received from Spain for a financial contribution from the European Globalisation Adjustment Fund

Spain submitted application EGF/2008/004 ES/Castilla y León and Aragón for a financial contribution from the European Globalisation Adjustment Fund, hereinafter 'EGF', following the redundancies in twelve enterprises operating in NACE 2 REV 2 division 29 ('manufacture of motor vehicles, trailers and semi-trailers') in two contiguous NUTS II regions Castilla y León (ES41) and Aragón (ES24).

1. The application was received by the Commission from the Spanish authorities on 29 December 2008 and complemented by additional information received on 8 January 2009.

The Commission approved<sup>2</sup> the application on 10 February 2009.

On 17 February 2009, the Spanish authorities requested the Commission to revise their application, in order to increase the number of workers targeted for assistance. Spain submitted additional information on 23 February 2009. As this additional information changes the number of workers targeted for assistance and the amount requested from the EGF, the initial Commission assessment of application EGF/2008/004 ES/Castilla y León and Aragón has become obsolete and is replaced by the present Communication.

2. The application meets the conditions for deploying the EGF set out in Article 2(b) of Regulation (EC) No 1927/2006 of 20 December 2006 of the European Parliament and of the Council on establishing the European Globalisation Adjustment Fund<sup>3</sup>, and was submitted within the deadline of 10 weeks referred to in Article 5 of that Regulation.

## SUMMARY OF THE APPLICATION AND ANALYSIS

### (a) Analysis of the link between the redundancies and major structural changes in world trade patterns

3. The application relates to 1 082 redundancies in twelve enterprises manufacturing components for the automobile industry, in particular for the plants of General Motors in Zaragoza, Renault in Valladolid and Palencia, Fiat-Iveco in Valladolid and Nissan in Avila. Six of the dismissing enterprises are located in the NUTS II region Castilla y León and six in the NUTS II region Aragón.

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<sup>2</sup> SEC(2009)140 of 10.2.2009

<sup>3</sup> OJ L 48 of 22.2.2008, p. 82.

In order to establish the link between the redundancies and the major structural changes in world trade patterns, Spain argues that for nine of the dismissing enterprises the redundancies result from an increase in imports of motor cars and their components into the EU and a decrease in the EU market share in the production of motor vehicles. For the remaining three dismissing enterprises, also affected by the deteriorating position of EU motor car production on the world market, the dismissals are a direct result of a delocalisation of production to countries outside the EU: Lear Corporation is moving its production from Avila to Morocco, Iberian Nissan Motor from Avila to Taiwan and Delphi Packard Spain from Zaragoza to Turkey.

4. The application uses EUROSTAT trade statistics for the EU-25 to illustrate a substantial increase (in value) between 2003 and 2007 of imports into the EU of motor vehicles in general and passenger cars in particular. For motor vehicles imports increased by 45 % and exports by 31 %, for passenger cars imports increased by 44 % and exports by only 22 %. Spain, in particular, which until 2004 was a net exporter of motor cars and motor vehicle components, became a net importer and this trend is continuing, with a trade deficit growing annually.

The applicant further refers to motor vehicle production statistics<sup>4</sup> to demonstrate a decrease of the EU market share between 2004 and 2007. The EU-27 market share in the world production of motor vehicles decreased from 28.4 % in 2004 to 26.9 % in 2007. In the same period, the production in absolute terms increased by 7.5 % in the EU-27, against a growth rate of 13.3 % worldwide. As has been shown in the Commission assessment<sup>5</sup> on previous EGF cases, this decrease in EU market share is part of a lasting trend. In 2001, the EU-27 share in world car production was still 33.7%.

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. In conclusion, the opinion of the Commission is that the redundancies in the twelve enterprises involved in manufacturing activities in NACE 2 REV 2 division 29 ('manufacture of motor vehicles, trailers and semi-trailers') in the two contiguous NUTS II regions of Castilla y León (ES41) and Aragón (ES24) can be linked, as required by Article 2 of Regulation (EC) No 1927/2006, to major structural changes in world trade patterns, which have led to an increase in imports into the EU of motor vehicles and their components, as well as to a reduction of the EU share in world motor vehicle production and a relocation of production to third countries.

(b) Demonstration of the number of redundancies

6. Spain submitted this application under the intervention criterion of Article 2(b) of Regulation (EC) No 1927/2006, which requires at least 1 000 redundancies over a 9-month period in a NACE 2 sector in one region or two contiguous regions at NUTS

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<sup>4</sup> Statistics provided by the International Organisation of Motor Vehicle Manufacturers  
<sup>5</sup> SEC(2007)881 on application EGF/2007/02 FR/Renault and SEC(2007)882 on application EGF/2007/01 FR/PSA

II level. The application demonstrates that a total of 1 082 redundancies occurred in twelve enterprises classified in the NACE 2 REV 2 division 29 ('manufacture of motor vehicles, trailers and semi-trailers') during the 9-month period of reference (from 31 January 2008 to 31 October 2008).

7. The total of 1 082 job losses in twelve enterprises classified in the same NACE 2 REV 2 division and all located in two contiguous regions at NUTS II level is sufficient to comply with the criteria of Article 2(b) of Regulation (EC) No 1927/2006.

(c) Explanation of the unforeseen nature of the redundancies

8. The Spanish authorities argue that the magnitude of the current crisis affecting the Spanish motor vehicle industry could not have been foreseen, because over the past years significant investments were made in infrastructure and R&D in order to increase the production capacity in Spain for motor vehicles and their components. The Spanish motor vehicle plants were amongst the most productive ones of their respective companies and were thus entrusted with the manufacture of new models, e.g. a new monovolume car for Opel Spain, two new models for Ford, a reinforcement of the activities of the Group PSA in Spain. In addition, Spanish factories present a high degree of organisational flexibility and flexibility of their workforce, which enhanced their competitive position. The Commission agrees that after considerable restructuring in 2007, the continuation of the labour shedding and the magnitude of the crisis could not have been foreseen.

(d) Identification of the dismissing enterprises, suppliers or downstream producers, sectors, and the categories of workers to be targeted

9. The application concerns 1 082 redundancies in the following twelve enterprises:

Castilla y León

Lear Corporation, Avila, 318 redundancies

Nachi industrial, Salamanca, 82 redundancies

Nissan Motor Ibérica, Avila, 46 redundancies

Grupo Antolín, Villamuriel de Cerrato, Palencia, 29 redundancies

Valeo Plastic Omnium, Villamuriel de Cerrato, Palencia, 7 redundancies

Benteler España, Burgos, 6 redundancies

Aragón

Delphi Packard España, Tarazona, Zaragoza, 320 redundancies

Automotive Connections and Equipments, Ejea de los Caballeros, Zaragoza, 44 redundancies

Auxiliar de Componentes Eléctricos, La puebla de Alfinden, Zaragoza, 107 redundancies

Faurecia Automotive España, Figueruelas, Zaragoza, 75 redundancies

Caravanas Moncayo, Villanueva de Gallego, Zaragoza, 14 redundancies

Joint Camping Car, Cabanos de Ebro, Zaragoza, 34 redundancies.

10. Of the 1 082 workers made redundant, Spain decided to target 588 workers for assistance, namely workers made redundant by Lear Corporation and Nachi industrial, both located in Castilla y León and by Delphi Packard España,



Automotive Connections and Equipments, Auxiliar de Componentes Eléctricos, located in Aragón. The applicant explains that, for the redundant workers in the other enterprises in Castilla y León, where smaller number of redundancies occurred, it has not been possible to reach agreement with the representatives of the workers and the enterprises on a package of measures for their re-integration into the labour market, because of their profile, their predisposition to find a new job or other reasons. As regards the workers made redundant in the region of Aragón, the applicant states that the workers with the biggest difficulties for re-integration into the labour market are targeted for assistance from the EGF. The criteria used for the selection were not only the economic characteristics of the area concerned, but also the skills, the capacity to adapt, the gender and the previous work experience of the workers concerned.

Of the 588 workers to be targeted for assistance, 64 % are female and 36 % are male. 99.1 % belong to the 25 to 54 years age group, only 0.9 % is over 55 years old and about 1 % are workers with a longstanding health problem or disability. In terms of professional categories<sup>6</sup>, 76 % fall within the group "metal, machinery and related trades workers", 11 % within the group "physical and engineering science associate professionals", 5 % within the group "office clerks", 5 % in the group "machine operators and fitters", 2 % in the group "operators of fixed installations and related" and the remainder within the group "corporate managers".

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<sup>6</sup> Categories based on the International Standard Classification of Occupations, 2 digits, (ISCO-88)

(e) Description of the territory concerned and its authorities and stakeholders

11. The territories concerned by the redundancies are the autonomous communities of Castilla y León and Aragón, within which the provinces of Avila, Salamanca and Zaragoza are the most affected, given a strong presence of the motor vehicle manufacturing industry in these areas.

The main responsible stakeholders are the Ministry of Labour and Social Affairs, the Junta de Castilla y León, the Avila public employment service, the Avila City Council, the Salamanca public employment service, the government of Aragón, the Institute for Employment of Aragón and the trade unions (MCA-UGT of Castilla y León and of Aragón, the FM-CC of Castilla y León and of Aragón and the committee in Lear Corporation).

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

12. The applicant states that the number of workers in the motor car industry as a whole in Spain decreased significantly over the last four years. In 2007 alone, about 10 000 jobs were lost in this sector, and the applicant expects that, for 2008, this number will be even higher. In the motor car component industry alone, the number of workers decreased from more than 251 000 in 2004 to 245 000 in 2007. Given the strong presence of the motor car industry in some provinces in Castilla y León and of Aragón, these provinces are significantly impacted by the reduction of employment in this sector.

In Castilla y León, the number of registered unemployed workers increased by 3 % from 117 479 in January 2008 to 121 182 in September 2008. For the province of Avila that is the most affected by the dismissals in this application, in particular those in Lear Corporation and in Nissan Motor Ibérica, the number of unemployed workers increased during the same period by 12 % from 7 993 to 8 976.

In Aragón, the number of registered unemployed workers increased by 23 % from 41 192 in January 2008 to 50 818 in September 2008. For the province of Zaragoza, which is the most affected by the dismissals in this application, the number of unemployed workers increased during the same period by 26 % from 30 446 to 38 431.

13. In conclusion, in these circumstances, the redundancies can be seen to have a significantly negative effect on the local economy.

(g) 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

14. The following types of measures are proposed, all of which combine to form a co-ordinated package of personalised services aimed at re-integrating the workers into the labour market:
- Guidance: This comprises the preparation of personalised pathways for the 368 workers targeted for assistance. On the basis of these pathways, which will be

updated throughout the EGF implementation period, individual workers are advised on how to improve their occupational capacities and thus enhance their opportunities for access to the labour market. This counselling will continue throughout the EGF implementation.

- Training: This covers both generic and specific training and is adapted to the personal and vocational characteristics of the dismissed workers. The main aim of the generic training is to provide the dismissed workers with the theoretical and practical knowledge about job-searching techniques and social abilities. The specific training is organised in homogeneous groups on the basis of labour market needs and the specific interests of the dismissed workers. It covers training in computer literacy, professional qualifications as forklift operator, in the areas of supplies and logistics, maintenance techniques as well as domestic services and training with commitment to integration by the enterprises concerned.
  - Integration: This covers support for re-integration based on a prospective analysis of the number of workers needed and their qualifications through on-site visits to the industrial enterprises in the catchment area by a specialised team. This analysis will continue throughout the EGF implementation period. The job vacancies are presented to those dismissed workers meeting the necessary vocational requirements. The specialised team will provide the relevant CV to the enterprise. This should enable the candidate to take part in the appropriate selection process. When necessary, the worker concerned is also supported during the re-integration process. This measure also covers the follow-up of workers who have already been re-integrated, so that any adjustments may be made if necessary.
  - Incentives: Guidance and training measures are complemented by economic incentives designed to guarantee an active participation in the different measures. These measures include incentives to support active job-searching. Thus, all workers targeted for assistance benefit from a single payment of EUR 200 in order to stimulate their participation in the package of personalised services. There is also an incentive of EUR 200 for workers with caring responsibilities for children or elderly relatives living with them, as a contribution to the additional costs resulting from any job-search related absences. Finally, the package includes an incentive for the rapid re-integration into the labour market. This support of EUR 300 per month can be granted during a maximum period of six months. It aims i.a. to compensate for the difference in salary between the previous and a new lower-paid job.
15. The administrative expenditure, which is included in the application, in accordance with Article 3 of Regulation (EC) No 1927/2006, covers the various stages of the preparation of this application, management and control activities as well as information and publicity. The latter will take place at two levels through (1) a communication campaign involving the local, regional and national press and (2) a brochure with all the details of the project that will be distributed to all the dismissed workers concerned, the trade unions and workers' organisations, local and regional entities and social partners.
16. The personalised services which are part of the co-ordinated package presented by the Spanish authorities are active labour market measures falling within the eligible

actions as defined in Article 3 of Regulation (EC) No 1927/2006. The total costs of these services are estimated by the Spanish authorities at EUR 5 208 600 and the administrative expenditure at EUR 180 000 (= 3.34 % of the total amount). The total requested contribution from the EGF is EUR 2 694 300 (50 % of the total costs).

Actions	Estimated number of workers targeted	Estimated cost per worker targeted (in EUR)	Total costs (EGF and national co financing) (in EUR)
Personalised services (first paragraph of Article 3 of Regulation (EC) No 1927/2006)			
<u>1.Guidance</u>			
1.1. Welcome and preparation of the personalised itineraries ('Acogida y elaboración de los itinerarios personalizados')	588	600	352 800
1.2. Employment advice ('Asesoramiento laboral')	588	600	352 800
<u>2.Training</u>			
2.1. Training in job search techniques and social ability ('Formación en técnicas para la búsqueda de empleo y habilidades sociales')	400	1 200	480 000
2.2. Training in ICT ('Formación en TICs (tecnologías de la información y la comunicación)')	180	900	162 000
2.3. Training for professional qualifications ('Formación de capacitación profesional')	150	1 800	270 000
2.4. Training with commitment for re-integration ('Formación con compromiso de inserción')	120	2 200	264 000
<u>3.Integration</u>			
3.1. Support for relocation ('Asistencia a la recolocación')	588	4 300	2 528 400
3.2. Follow-up in employment ('Seguimiento en el empleo')	260	600	156 000
<u>4.Incentives</u>			
4.1. Incentives for active job searching ('Incentivos para la búsqueda activa de empleo')	588	200	117 600

4.2. Accompanying measures ('Medidas de acompañamiento')	285	200	57 000
4.3. Incentives to the users for a rapid re-integration into employment (' Incentivos a los usuarios para una rápida recolocación laboral')	260	1 800	468 000
<b>Subtotal personalised services</b>			<b>5 208 600</b>
Technical assistance for implementing EGF (third paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Preparatory			20 000
Management			100 000
Information and publicity			20 000
Control activities			30 000
Total administrative expenditure			180 000
<b>Total estimated costs</b>			<b>5 388 600</b>
<b>EGF contribution (50 % of total costs)</b>			<b>2 694 300</b>

17. As regards the complementarity with actions funded by the Structural Funds, Spain confirms that the measures described above are complementary. In particular in relation to actions co-funded under the ESF, Spain indicated that a small part of the workers targeted for assistance under this application have benefited from training activities offered under the nation-wide ESF programme "Training for Employment". Continuous follow-up of ESF and EGF actions pursuing similar purposes and the workers concerned will avoid any overlap between ESF and EGF measures.

In order to ensure the complementarity with other measures at national, regional and local levels, a committee in charge of the general co-ordination of the EGF actions has been established. In addition, a study analysing the complementarity of all actions at all levels will be carried out and updated throughout the EGF implementation period.

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

18. Personalised services to the affected workers included in the co-ordinated package proposed for co-financing by the EGF were started by Spain on 10 March 2008. This date therefore represents the beginning of the period of eligibility for any assistance that might be awarded from the EGF (Article 11 of Regulation (EC) No 1927/2006).

(i) Procedures followed for consulting the social partners:

19. The social partners were consulted during the preparation of the co-ordinated package of measures. In addition, a joint committee including the social partners has been created in order to evaluate the co-ordinated package at quarterly meetings during the EGF implementation period.
20. The Spanish authorities confirmed that the requirements laid down in national and Community legislation concerning collective redundancies have been complied with.

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

21. As regards the fulfilment of the criteria set out in Article 6 of Regulation (EC) No 1927/2006, the application provided the following elements:
- The Spanish authorities 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.
  - The Spanish authorities demonstrated that the actions provide support for individual workers and are not to be used for restructuring companies or sectors.
  - The Spanish authorities confirmed that the eligible actions referred to under points 14 to 16 above do not receive assistance from other Community financial instruments.

22. Management and control systems

Spain has notified the Commission that the financial contribution will be managed and controlled by the same bodies that manage and control the ESF. The department of Finance of the Junta de Castilla y León, which is mentioned in the regional operational programme for Castilla y León, will be the intermediate body for the managing authority. For Aragón the intermediate body is the Department of Economy, Finance and Employment of the Regional Institute for Employment.

Conclusion

23. In conclusion, for the reasons set out above, it is proposed to accept application EGF/2008/004 ES/Castilla y León and Aragón submitted by Spain, relating to the redundancies in twelve enterprises involved in manufacturing activities in NACE 2 REV 2 division 29 ('manufacture of motor vehicles, trailers and semi-trailers') in two contiguous NUTS II regions Castilla y León (ES41) and Aragón (ES24), 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, affecting employment and the local economy. A co-ordinated package of eligible personalised services has been proposed. Therefore, it is proposed to deploy the EGF in response to the application from Spain.

**FINANCING**

The total annual budget available for the EGF is EUR 500 million. So far, in 2009, no cases have been accepted for funding.

Article 12(6) of Regulation (EC) No 1927/2006 states that, on 1 September of each year, at least EUR 125 million should remain available in order to cover the needs arising until the end of the year. As nothing has been committed yet, the total amount of EUR 500 million remains available.

It is proposed to deploy EUR 2 694 300 from the EGF.

**THE COMMISSION IS THEREFORE INVITED TO:**

- approve application EGF/2008/004 ES/Castilla y León and Aragón submitted by Spain ;
- submit to the budgetary authority a proposal to authorise appropriations corresponding to EUR 2 694 300, as specified in point 16, as well as a request for the transfer of this amount in commitment appropriations to budget line 04.0501 (European Globalisation Adjustment Fund) in accordance with Article 12(3) of Regulation (EC) No 1927/2006;
- authorise the transfer of the identical amount in payment appropriations from budget line 04.0217 (European Social Fund (ESF) – convergence) to budget line 04.0501 (European Globalisation Adjustment Fund).