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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 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 (application EGF/2012/004 ES/Grupo Santana from Spain)

EXPLANATORY MEMORANDUM

Article 12 of Council Regulation (EU, Euratom) No 1311/2013 laying down the multiannual financial framework for the years 2014-2020[1] allows for the mobilisation of the European Globalisation Adjustment Fund (EGF) within the annual ceiling of EUR 150 million (2011 prices) over and above the relevant headings of the financial framework.

The rules applicable to the contributions from the EGF for applications submitted until 31 December 2013 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 Fund[2].

On 16 May 2012, Spain submitted application EGF/2012/004 ES/Grupo Santana for a financial contribution from the EGF, following redundancies in Grupo Santana[3] and 15 suppliers and downstream producers in Spain.

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/2012/004
Member State	Spain
Article 2	(c)
Primary enterprise	Grupo Santana
Suppliers and downstream producers	15
Reference period	15.11.2011 – 15.3.2012
Starting date for the personalised services	1.8.2011
Application date	16.5.2012
Redundancies during the reference period	330
Redundancies before and after the reference period	689
Total eligible redundancies	1 019
Redundant workers expected to participate in the measures	285
Expenditure for personalised services (EUR)	3 729 815
Expenditure for implementing EGF[4] (EUR)	199 000
Expenditure for implementing EGF (%)	5,07
Total budget (EUR)	3 928 815
EGF contribution (50 %) (EUR)	1 964 407

1. The application was presented to the Commission on 16 May 2012 and supplemented by additional information up to 28 November 2013.

1 OJ L 347, 20.12.2013, p. 884.
2 OJ L 406, 30.12.2006, p. 1.
3 Santana Motor S.A.U.; Santana Motor Andalucía S.L.U. and Santana Militar S.L.U.
4 In accordance with the third paragraph of Article 3 of Regulation (EC) No 1927/2006.

2. The application meets the conditions for deploying the EGF as set out in Article 2(c) 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

3. In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, Spain argues 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. Globally, car production increased by 22,4 % in 2010, after a 9,6 % downturn in 2009[5]. China, at 13,9 million units produced, saw its output grow four times higher than production growth in Europe, expanding by 33,8 % compared to 8,3 % growth in Europe in 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 %).

4. The applicant further refers to motor vehicle production statistics[6] to demonstrate a decrease of the EU market share. In 2001, the EU-27 market share in the world production of motor vehicles still was 33,7 %. In 2004 it decreased to 28,4 % and further decreased to 26,3 % in 2010. During the period 2004-2010, 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 decline in EU market share has been observed by the Commission in assessment of previous EGF automotive cases based on trade related globalisation[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 2012[8].

5. 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.

6. To date, the automotive sector has been the subject of the most numerous EGF applications, with 16 cases, of which seven are based on trade related globalisation, while the other nine are crisis related[9].

7. The appreciation of the Commission services is that the redundancies in Grupo Santana and its suppliers can be linked, as required by Article 2 of Regulation (EC) No 1927/2006, to major structural changes in world trade patters, in particular a reduction of the EU share in world motor vehicle production.

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5 European Automobile Manufacturers' Association – ACEA (http://www.acea.be/news/news_detail/vehicle_production_on_recovery_path_in_2010/)

6 Organisation Internationale des Constructeurs d'Automobiles – OICA (www.oica.net)

7 EGF/2007/002 FR Peugeot suppliers COM(2007) 415; EGF/2008/002 ES Delphi COM(2008) 547 and EGF/2008 ES Castilla y León & Aragón COM(2009) 150

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

9 Regular updates here: http://ec.europa.eu/social/main.jsp?catId=326&langId=en check related documents (summary of EGF applications)

<u>Demonstration of the number of redundancies and compliance with the criteria of Article 2(c)</u>

8. Spain submitted the application under the intervention criterion of Article 2(c) of Regulation (EC) No 1927/2006. This provision allows applicants to derogate from the requirements of Articles 2(a) and 2(b) in small labour markets or in exceptional circumstances when redundancies have a serious impact on employment and the local economy. In this case the applicant must specify which of the main eligibility requirements its application fails to meet, and thus from which it is seeking derogation.

   The Spanish authorities specified that the application seeks to derogate from Article 2(a), where the normal threshold is at least 500 redundancies over a four-month period.

9. The application cites 330 redundancies in Grupo Santana and 15 suppliers during the four-month reference period from 15 November 2011 to 15 March 2012 and a further 689 redundancies outside the reference period, but related to the same collective redundancies procedure. All of these redundancies were calculated in accordance with the first indent of the second paragraph of Article 2 of Regulation (EC) No 1927/2006.

10. All the enterprises concerned by this application are located in Linares a town of the NUTS III region of Jaen (ES 616). The longer chain of redundancies is described in the application as follows: 670 workers were dismissed between 31 March and 14 November 2011, 330 workers in the 4-month reference period from 15 November to 15 March 2012. A further 19 workers were dismissed after the reference period. Together this makes 1019 dismissals over eleven and a half months (ie about 90 layoffs per month). The layoffs were gradually phased to reduce their impact on the affected territory which made impossible to reach the minimum 500 redundancies in a four month period as required by Regulation (EC) No 1927/2006.

11. According to the Spanish authorities, Jaen is in a very difficult situation. The gross regional product (GDP) per capita of Jaen is 69,8% of EU average. The employment rate of people aged 16-64 in Jaen decreased from 56,1 % in 2007 to 48,8 % in 2011 when the number of employed people fell from 235 767 to 209 047. During the same period the unemployment rate rose from 13 % to 27,9 % (from 21,13 % to 48,6 % for those under 25 years) and the absolute number of unemployed workers increased from 35 567 to 81 153.

12. Spain argues that the redundancies in Grupo Santana have a significant impact on the NUTS III region Jaen and in particular in Linares where Grupo Santana is located as the market does not offer sufficient employment options for the workers. In 2011 compared with 2008 the number of jobs available in industry, construction and services decreased by 29,1 %, 45,3 % and 5,1 % respectively.

13. The applicant also refers to the fact that unemployment in Andalucía (NUTS II level) is higher than the national average and the EU average (respectively 33,9 %, 24,63 % and 11,2 %). Andalucía is an eligible region under the Convergence Objective and its GDP is 76,6 % of EU average.

14. Andalucía was also affected by other mass redundancies for which an EGF application was submitted to the Commission: 1 589 redundancies in a four-month period related one more time to the automotive sector (EGF/2008/002 ES Delphi, approved by the Budgetary Authority in 2008, 2008/818/EC, OJ L285/13 (29/10/2008)).

15. The Commission services consider that the 330 redundancies in question along with the 689 redundancies due to the same cause before and after the four-month reference period, which have a serious impact on employment and the economy at local and NUTS III level, together with the particularly fragile economic situation of the affected territory combine to meet the criteria of Article 2(c) of Regulation (EC) No 1927/2006. The exceptionality of the case lies in the combination of these factors, which together pose an unusual and difficult situation for the workers and the territory concerned.

Explanation of the unforeseen nature of those redundancies

16. The Spanish authorities argue that despite the problems experienced by Santana following the decrease of sales as a consequence of the economic and financial crisis, the bankruptcy and closure were unforeseen.

17. The Santana business model was a combination of production of own-brand vehicles, such as the jeep "Anibal Santana" which has been sold to several European armies such as the French and the Czech army and manufacture and assembling of vehicles for other manufacturers such as the Italian Iveco group or the Japanese Suzuki.

18. Strategic decisions were taken by Santana's main customers which ended in a cancellation or no-renewal of the on-going contracts as they prioritized producing close to the new emerging markets, in particular in India or China.

19. The combination of a drop in demand for their own products together with the change in the strategic plans of Santana's main clients was not easy to foresee.

Identification of the dismissing enterprises and workers targeted for assistance

20. The application relates to 1 019 redundancies in the three entreprises constituting the Grupo Santana and 15 suppliers.

Enterprises and number of dismissals			
Grupo Santana	392	Fundiciones Mecacontrol SL	4
Alstom	2	Iturri Santana SA	3
Capgemini	77	Pintados Garley	5
Casarubio Elevadores SL	85	Prosegur Cia de seguridad	4
Cofely España	44	Servicios Logísticos Integrados	67
Dictesa Jaén SL	54	Técnicas de tiempos y métodos	3
Faescom 92	97	Urbina SL	1
FASUR	151	Windar logistic	30
Total enterprises: 16		**Total dismissals: 1 019**	

21. The break-down of the workers expected to participate in the measures is as follows:

Category	Number	Percent
Men	234	82,10
Women	51	17,90
EU citizens	285	100,00
Non EU citizens	0	0
15-24 years old	4	1,14
25-54 years old	265	92,99
55-64 years old	16	5,61
> 64 years old	0	0

22. The Spanish authorities argue that despite the efforts made in order to gather the information on the occupational categories of the workers, the information is no longer available since most of the enterprises already completed their liquidation processes and no longer exist.

23. In accordance with Article 7 of Regulation (EC) No 1927/2006, Spain 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

24. All the enterprises concerned by this application are located in Linares, the second biggest town of the NUTS III region Jaen. It has a population of 61 116 people according to the last census (2011).

25. Since the middle of the nineteenth century when Linares became an important mining centre until the end of the twentieth century Linares was heavily involved in the mining and smelting of lead and the production of gunpowder; dynamite and rope were pillars of the local economy. When the last mine closed in 1991 the local economy relied on Grupo Santana and to a lesser extent in Azucareras Reunidas[10]. In recent years a production plant for components of wind turbines has been opened in Linares, as well as an assembly plant of the train/tram manufacturer CAF. However Grupo Santana remained until its closure the foremost employer in Linares.

26. The main stakeholders are the *Junta de Andalucía* (the autonomous government of Andalucía) and in particular the regional Ministry of Economy, Innovation and Science; and the trade unions *MCA-UGT Andalucía* and *Federación de la industria de CCOO-Andalucía*.

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

27. Registered unemployment in Linares had increased by 270% at the end of 2011 compared with 2007 and although the Linares population between 16 and 64 years represents only 9,4% of the total population of the NUT III region Jaen, unemployed people from Linares contribute by 15,7% to the total unemployment in Jaen. Furthermore half of the job seekers are long-term unemployed people (>12 months).

[10] Azucareras Reunidas de Jaen S.A. a beet sugar producer which in recent years also produces biodiesel from rapeseed oil, palm oil, soybeans, and sunflower oil.

The closure of the Santana Group and the resulting direct and indirect layoffs have a significant impact on local and regional employment and pose an unusual and difficult situation for the workers and the territory concerned.

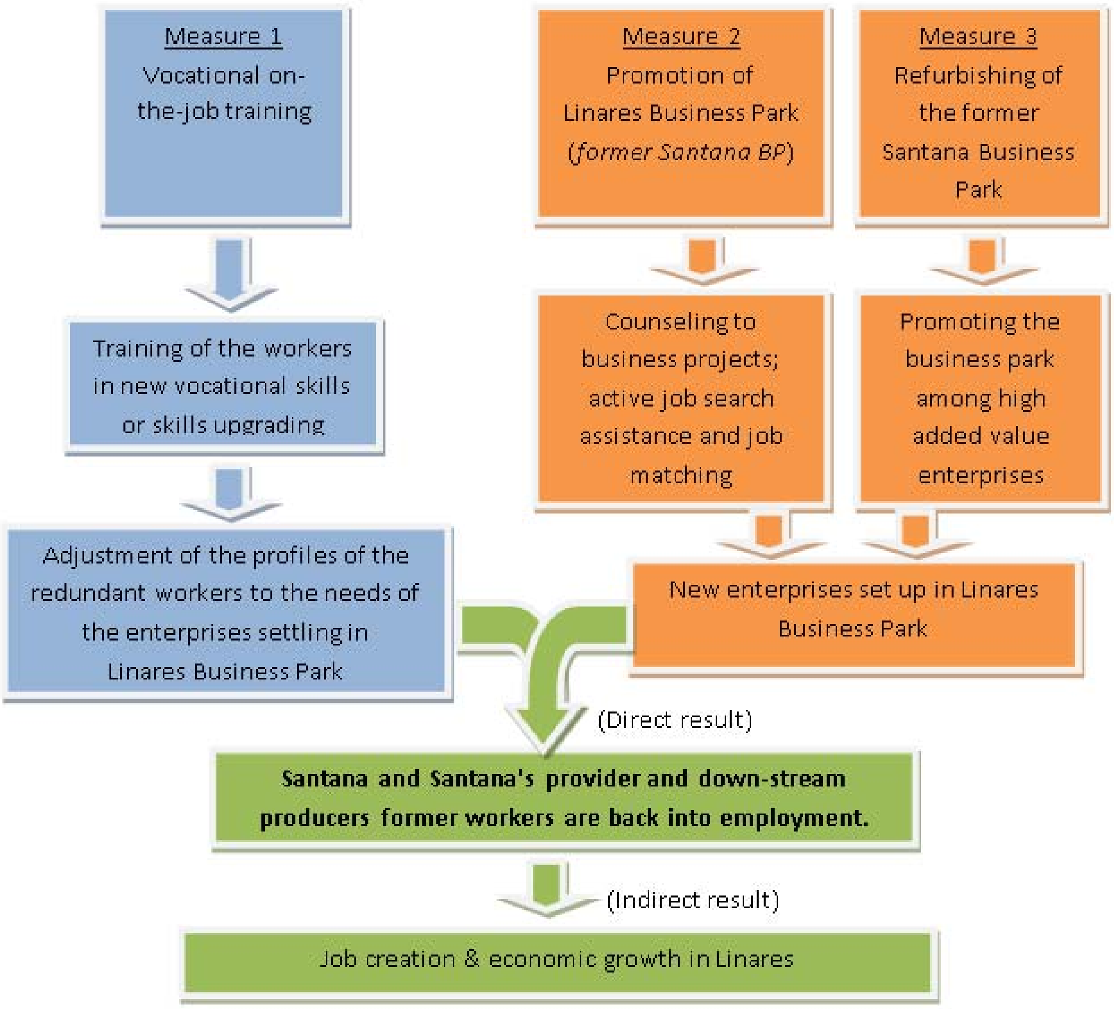
28. The financial situation of the city of Linares is weak and the redundancies at Grupo Santana and 15 suppliers all of them based in the former Santana business park (now renamed as Linares business park) will impact the tax revenues of the municipality. As an employer, the city will probably have to lay off a number of its own employees, and it will not be able to help the redundant Grupo Santana workers by offering jobs to any of them.

29. In conclusion, in such circumstances, the redundancies can be seen to have a significantly negative effect on the local and regional labour market.

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

30. Taking into account the particularly fragile situation of the employment market in the affected territory (Linares) the regional authorities together with the main stakeholders decided to top up the standard measures provided by the public employment offices with an ad-hoc package of measures designed to tackle both the lack of job offers and the lack of vocational skills of the workers, other than the skills related to the automotive industry.

Outline of the package of measures "*Plan Linares Futuro*[11]"



In order to address the first issue (i.e the lack of job offers) two measures were designed: **(1) Refurbishing the former Santana business park**[12] (modernization of power, voice and data networks, rehabilitation of about twenty units which made up the factory, improving the rail connection serving the park, etc.), so it can host enterprises with high added value. The cost of the rehabilitation of the former Santana business park is estimated at EUR 6,2 million. This measure has being carried out since January 2011 and is expected to end in May 2014. **(2) Setting up an office which** on the one hand **will promote the business park** among high added value enterprises in view of their establishing in the park and on the other hand will also **be in charge of active job search assistance and job matching activities** in support of former Santana workers by promoting these workers among the new businesses establishing in the park. The total cost of the office is estimated at

[11] Plan for Linares' future.

[12] After being refurbished the former Santana business park changed its name to Linares business park.

EUR 525 000 (EUR 150 000 per year for the period 1 July 2011 to 31 December 2014). No EGF co-funding has been requested for these two measures.

To tackle the lack of vocational skills of the workers, they will be provided with **vocational 'on-the-job' training**. This measure aims to provide the workers with vocational skills which either cater for the identified need of enterprises settling in the business park or will be on demand, for instance administrative management of SMEs, vocational licensing such as the required for food handling, passenger transport CPC[13], private security guard, etc. The distinguishing feature of this training activity is that the class-room training will be complemented by on-the-job training and also the length of the training (about 840 hours). Through on-the-job training activities participants will have the opportunity to gain some experience through training in the workplace while receiving a ***'training wage'*** equivalent to 150 % of the Spanish minimum wage, plus a pro-rata part of the 13th and 14th monthly wage[14]. The relevant social charges are also included in the total cost of this training wage estimated at EUR 1 483 monthly per worker.

31. 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.

32. The personalised services presented by the Spanish authorities are active labour market measures within the eligible actions defined by Article 3 of Regulation (EC) No 1927/2006. The Spanish authorities estimate the total costs at EUR 3 928 815, of which the expenditure for personalised services at EUR 3 729 815 and the expenditure for implementing the EGF at EUR 199 000 (5,07 % of the total amount). The total contribution requested from the EGF is EUR 1 964 407 (50 % of the total costs).

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13 Certificate of Professional Competence (CPC) is the certificate attesting that certain professional drivers passed the courses and tests required by Directive 2003/59/EC.

14 In Spain, the contractually agreed annual salary is divided into fourteen equal parts, twelve of which are paid monthly and the 13th and 14th are deferred and paid in June and December together with the relevant monthly salary.

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 on-the-job training (*Cursos de formación)*	285	4 191	1 194 295
Training wages (*Contratación beneficiarios)*	285	8 897	2 535 520
Sub total personalised services			**3 729 815**
Expenditure for implementing EGF (third paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Preparatory activities			60 000
Management			104 000
Information and publicity			15 000
Control activities			20 000
Sub total expenditure for implementing EGF			**199 000**
Total estimated costs			**3 928 815**
EGF contribution (50 % of total costs)			***1 964 407***

(*) 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 Spain.

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

33. Spain confirms that the measures described above are complementary with actions funded by the Structural Funds and that all double financing will be prevented. Spain will put in place the necessary control procedures to eliminate any risk of double funding and will also ensure a clear audit trail for EGF funded activities.

34. The complementarity between the EGF and the European Social Fund (ESF) in particular lies in the possibility of tackling the issue of the redundancies from two time perspectives: The EGF provides a quick, one-off, time-limited individual support geared to helping workers who have suffered redundancy as a result of globalisation whilst the ESF pursues long-term strategic objectives and the resources cannot usually be reallocated to deal with a crisis triggered by mass redundancies due

to globalisation. The training measures in support of the former workers of Santana have been designed to cater for the needs of the enterprises settling in the Linares business park while taking into account the workers profiles. These ad-hoc training courses are neither part of the training provided under the 2007-2013 ESF operational programmes for Andalucía nor under the Adaptability and Employment Programme 2007-2013. Nevertheless, if the particular needs of a worker could be better served by participating in one of the training activities co-funded by ESF the worker will be provided with the relevant ESF training.

35. Continuous follow-up of ESF and EGF actions with similar aims and the workers concerned will avoid any overlap between ESF and EGF measures.

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

36. Spain started the personalised services to the affected workers included in the co-ordinated package proposed for co-financing to the EGF on 1 August 2011. 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

37. The autonomous government of Andalucía consulted the trade unions MCA-UGT Andalucía and Federación de la industria de CCOO-Andalucía on the whole package of measures at the time of the negotations prior to the closing down of Grupo Santana and later during the application process. Moreover these trade unions are monitoring the implementation of the EGF measures.

38. The Spanish 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

39. As regards the criteria contained in Article 6 of Regulation (EC) No 1927/2006, the Spanish 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

40. 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 Servicio Andaluz de Empleo will be the intermediate body for the managing authority.

Financing

41. On the basis of the application from Spain, the proposed contribution from the EGF to the coordinated package of personalised services (including expenditure to implement EGF) is EUR 1 964 407, representing 50 % of the total cost. The Commission's proposed allocation under the Fund is based on the information made available by Spain.

42. Considering the maximum possible amount of a financial contribution from the EGF under Article 12 of Council Regulation (EU, Euratom) No 1311/2013, as well as the scope for reallocating appropriations, the Commission proposes to mobilise the EGF for the total amount referred to above.

43. 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[15].

44. The Commission presents separately a transfer request in order to enter in the 2014 budget specific commitment appropriations, as required under point 13 of the Interinstitutional Agreement of 2 December 2013.

Source of payment appropriations

45. Appropriations allocated to the EGF budget line in the 2014 budget will be used to cover the amount of EUR 1 964 407 needed for the present application.

[15] OJ C 373, 20.12.2013, p. 1.

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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 Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 establishing the European Globalisation Adjustment Fund[16], and in particular Article 12(3) thereof,

Having regard to the Interinstitutional Agreement between the European Parliament, the Council and the Commission of 2 December 2013 on budgetary discipline, on cooperation in budgetary matters and on sound financial management[17], and in particular point 13 thereof,

Having regard to the proposal from the European Commission[18],.

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 EGF shall not exceed a maximum annual amount of EUR 150 million (2011 prices), as laid down in Article 12 of Council Regulation (EU, Euratom) No 1311/2013 laying down the multiannual financial framework for the years 2014-2020[19].

(3) Spain submitted an application to mobilise the EGF, in respect of redundancies in the enterprise Grupo Santana and 15 suppliers and downstream producers, on 16 May 2012 and supplemented it by additional information up to 28 November 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 1 964 407.

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16 OJ L 406, 30.12.2006, p. 1.
17 OJ C 373, 20.12.2013, p. 1.
18 OJ C […], […], p. […].
19 OJ L 347, 20.12.2013, p. 884.

(4) The EGF should, therefore, be mobilised in order to provide a financial contribution for the application submitted by Spain,

HAVE ADOPTED THIS DECISION:

Article 1

For the general budget of the European Union for the financial year 2014, the European Globalisation Adjustment Fund (EGF) shall be mobilised to provide the sum of EUR 1 964 407 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