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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/2010/003 ES/Galicia Textiles from Spain)**

## 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 management<sup>1</sup> allows for the mobilisation of the European Globalisation Adjustment Fund (EGF) 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 Fund<sup>2</sup>.

On 5 February 2010, Spain submitted application EGF/2010/003 ES/Galicia Textiles for a financial contribution from the EGF, following redundancies in 82 enterprises operating in the NACE Revision 2 Division 14 (manufacture of wearing apparel)<sup>3</sup> in the NUTS II region Galicia (ES11) 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

<b>Key data:</b>	
EGF Reference no.	EGF/2010/003
Member State	Spain
Article 2	(b)
Enterprises concerned	82
NUTS II region	Galicia (ES11)
NACE Revision 2 Division	14 (manufacture of wearing apparel)
Reference period	1/3/2009 to 30/11/2009
Starting date for the personalised services	8/2/2010
Application date	5/2/2010
Redundancies during the reference period	703
Redundant workers targeted for support	500
Personalised services: budget in EUR	2 645 000
Expenditure for implementing EGF <sup>4</sup> : budget in EUR	193 000
% expenditure for implementing EGF	6,80
Total budget in EUR	2 838 000
EGF contribution EUR (65 %)	1 844 700

<sup>1</sup> OJ C 139, 14.6.2006, p. 1.

<sup>2</sup> OJ L 406 of 30.12.2006, p. 1.

<sup>3</sup> Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC regulations on specific statistical domains (OJ L 393 of 30.12.2006, p. 1).

<sup>4</sup> In accordance with the third paragraph of Article 3 of Regulation (EC) No 1927/2006.

1. The application was presented to the Commission on 5 February 2010 and supplemented by additional information up to 11 May 2010.
2. The application meets the conditions for deploying the EGF as set out in Article 2(b) 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 or the global financial and economic crisis**

3. In order to establish the link between the redundancies and the major structural changes in world trade patterns due to globalisation, Spain argues that the liberalisation of trade in textiles and clothing has led to radical changes in the structure of world trade. According to EUROSTAT figures<sup>5</sup> imports of clothing into the EU-27 increased by 20,5 % from EUR 49 305 million to EUR 59 433 million between 2005 and 2008. The main supplier was China with an increase of 49,2 % of its imports into the EU-27 in the period 2005-08.
4. The applicant further refers to a general trend in the textiles and clothing industry to delocalise production to lower cost countries outside the EU, such as Tunisia, China, Morocco and various Asian countries.

### **Demonstration of the number of redundancies and compliance with the criteria of Article 2(b)**

5. Spain submitted this application under the intervention criteria of Article 2(b) of Regulation (EC) No 1927/2006, which requires at least 500 redundancies over a nine-month period in enterprises operating in the same NACE Revision 2 Division in one region or two contiguous regions at NUTS II level in a Member State.
6. The application cites 703 redundancies in 82 enterprises operating in the same NACE Revision 2 Division 14 (manufacture of wearing apparel) during the nine-month reference period from 1 March 2009 to 30 November 2009, all located in the NUTS II region Galicia (ES11). All redundancies were calculated in accordance with the second indent of the second paragraph of Article 2 of Regulation (EC) No 1927/2006.

### **Explanation of the unforeseen nature of those redundancies**

7. The Spanish authorities argue that the new economic context as a result of the financial and economic crisis, which could not have been foreseen, negatively impacted the textiles and clothing industry since the third quarter of 2008. The unforeseen nature of the crisis hit both supply and demand in the textiles sector: the conditions governing access to credits with a view to financing the operations of the sector were made much more severe, whilst the decrease in consumer demand simultaneously generated an increase in the number of payment defaults. In 2008, this resulted in a much higher number of bankruptcies in the textiles industry compared to 2007 with ensuing job losses. To illustrate this, the applicant cites

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<sup>5</sup> [http://ec.europa.eu/enterprise/sectors/textiles/statistics/index\\_en.htm](http://ec.europa.eu/enterprise/sectors/textiles/statistics/index_en.htm).

Social Security data, which indicate that in the first months of 2009 2 500 jobs were lost in the textiles and clothing industry in Galicia.

### **Identification of the dismissing enterprises and workers targeted for assistance**

8. The application cites a total of 703 redundancies of whom 500 are targeted for assistance in the following 82 enterprises:

Enterprises and number of dismissals			
Caramelo S.A., A Coruña	237	Nova Têxtil Alaricana S.L.L., Ourense	12
Peter John, A Coruña	17	Textiles Lendega, Ourense	2
Imperdible, A Coruña	10	Fil&Fil Camisero, Ourense	1
Melusiana S.L., A Coruña	5	Roberto Verino, Ourense	1
Baselytex S.L., A Coruña	1	Sociedad Textil Lonía, Ourense	1
Paulmoni Camiseri S.L., A Coruña	4	VDR Confecciones SLU, Ourense	2
Castmar S.L., A Coruña	3	VDR Punto SL, Ourense	3
Confecciones Nazabel S.L., A Coruña	6	Trinidad Viduera Design SL	1
Galicia Textil, A Coruña	20	Grupo Três Fashion SL, Ourense	2
Servicios Gallegos de Tejeduría S.L., A Coruña	2	Futura Linea, Pontevedra	3
Creaciones Teyma 2003 S.L., A Coruña	15	Gonzabell, Pontevedra	12
Confecciones Furelos S.L., A Coruña	2	Model Novia, Pontevedra	15
Galitex S.A., A Coruña	2	Selmark, Pontevedra	5
Jevaso S.L., A Coruña	3	Sotexga S.L.L., Pontevedra	7
Confecciones Coteló, A Coruña	7	Umbro, Pontevedra	4
Maria y Nieves S.L., A Coruña	6	Textiles Rocabe S.L., Pontevedra	2
Tocci, A Coruña	6	Industrias Kamay, Pontevedra	18
Céltica de confecciones, A Coruña	1	Toypes, Pontevedra	20
Confecciones Carioca S.L., A Coruña	1	Montoto, Pontevedra	102
Vicente Romeo S.L., A Coruña	2	Florentino, Pontevedra	1
Volvoreta S.A, A Coruña	1	Creaciones y Diseño Alonsan S.L., Pontevedra	12
Vicaro Confeccion S.L., A Coruña	2	Confecciones Labora, Pontevedra	16
Confeccionnes Liñaza S.L., A Coruña	1	Confecciones José Abal Pereira, Pontevedra	1
Mafecco, A Coruña	1	Pilar Bande S.L., Pontevedra	2
Ibia Textil SL, A Coruña	1	Cintugal, Pontevedra	1
Rosa de Neira S.L., A Coruña	2	Confecciones Gundemaro, Pontevedra	9
Confecciones Lema, A Coruña	12	Enmanuel, Pontevedra	4
Confecciones Goa, A Coruña	10	Iglesias Duro S.L., Pontevedra	2
Veiga de Compostela, A Coruña	1	Naffta, Pontevedra	6
Confecciones intimas, A Coruña	1	Lacemar Sport S.L., Pontevedra	3
Confecciones Careixon, A Coruña	1	Ponte Punto SA, Pontevedra	2
Chao Prieto S.L., Lugo	5	Sebastian Criado del Rey de Haz, Pontevedra	1
Diseño Tecnológico Textil Galicia S.L., Lugo	1	Ganirope S.L., Pontevedra	1
Almacenes Martínez, Lugo	1	Sposa Novias, Pontevedra	1
Vidrio, Ourense	12	Stylmalla, Pontevedra	3
Confecciones Domingo S.L., Ourense	2	Short Cut, Pontevedra	2
Delgado Fabello S.L., Ourense	3	Modatest, Pontevedra	1

Enterprises and number of dismissals			
Sociedad Textil Monterrey S.L., Ourense	5	Presagio S.L., Pontevedra	1
Modalher Outomuro S.L., Ourense	3	Confecciones Minada S.L., Pontevedra	1
Euro Gomca, Ourense	1	Doberty, Pontevedra	1
Marcos Moda S.L., Ourense	2	Confecciones Salnés, Pontevedra	1
<b>Total enterprises: 82</b>		<b>Total dismissals: 703</b>	

9. The break-down of the targeted workers is as follows :

Category	Number	Percent
Men	68	13,5
Women	432	86,5
EU citizens	484	96,7
Non EU citizens	16	3,3
15 to 24 years old	0	0,0
25 to 54 years old	457	91,4
Over 54 years old	43	8,6

10. In terms of professional categories, the break-down is as follows :

Category	Number	Percent
Textile machine operators	194	38,9
Warehouse staff	57	11,3
Cutters	49	9,8
Ironers	47	9,4
Inspectors	35	7,0
Seamstress	12	2,5
Pattern cutter	6	1,2
Others	100	19,9

11. The 19,9 % listed under "others" fall into various categories, such as commercial staff, conductors, informatics staff, cleaning staff and mechanics.

12. 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**

13. The territory concerned is the autonomous community of Galicia, composed of the provinces of A Coruña, Lugo, Ourense and Pontevedra. The main public authorities concerned are the 'Conselleria de Traballo e Benestar' and the 'Conselleria de Economía e Industria'.

14. Stakeholders include the confederation for the textiles industry in Galicia (COINTEGA<sup>6</sup>), the association for the knitting and clothing industries in Lugo, Ourense and Pontevedra (AICLOP<sup>7</sup>), the association of entrepreneurs in the ready-

<sup>6</sup> Confederación de Industrias Textiles de Galicia.

<sup>7</sup> Asociación, de industrias de punto y confección de Lugo, Ourense y Pontevedra.

made clothing industry of A Coruña as well as the Trade Unions Comisiones Obreras (CC.OO) and Unión General de Trabajadores (UGT).

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

15. Spain argues that Galicia has been severely hit by the industrial crisis. During the period 2007-09 32 700 jobs were lost in the industry, of which 4 414 in the textiles industry, 3 940 in the automotive industry, and 2 098 in the maritime industry. The redundancies covered by this application have aggravated the problem.
16. At the level of the provinces concerned by the redundancies, the applicant uses information from the Statistical Institute of Galicia<sup>8</sup> which show that for February 2009 and in relation to the number of workers employed in the NACE Revision 2 Division 14 the redundancies covered by this application represent the following share: 9,68 % in Pontevedra, 5 % in Lugo, 4,4 % in A Coruña and 2,23 % in Ourense.

### **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**

17. All the following measures combine to form a co-ordinated package of personalised services aimed at re-integrating the workers into the labour market:
  - Professional guidance: will be provided to all 500 participants and covers profiling of the workers, identification of personalised re-integration itineraries and individualised monitoring.
  - Training and re-training: aims at training 100 workers for jobs with a higher value added in the textiles sector, e.g. design, administration, technology, distribution and logistics (programme called TExmellora) and training another 50 workers for a new job in a different sector (programme called InsireTEX). For both programmes the training will correspond to the requirements of potential new employment opportunities.
  - Promotion of entrepreneurship: targets 50 workers and aims at promoting self-employment, creation of cooperatives and small and medium sized enterprises through a programme called TExcreación. This covers identification of market opportunities, feasibility analysis, training, establishment of business plan and monitoring and mentoring.
  - Mobility vouchers: aims at promoting geographical mobility by contributing to its costs. It is expected that 70 workers will benefit from this programme called MoveTEX.
  - Training vouchers: is covered by a programme called TExTIC, which provides ICT training considered essential for job searching activities. It is expected that 160 workers will wish to benefit from this measure.

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<sup>8</sup> [www.ige.eu](http://www.ige.eu).

- Support for better work-life balance: is covered by a programme called TExconcilia. It consists of a monthly financial support of about EUR 400 for maximum 10 months. It aims at covering costs for better combining private, family and working life, in particular if the new work situation bears the risk of negatively affecting the work-life balance through long journeys to and from work or changes in the work-life distribution of time. It is expected that 50 participants will take up this measure.

18. The expenditure for implementing 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. The preparatory activities include a study on the employment characteristics of the textiles industry that will be used as a reference by all those involved in the re-integration into the labour market of the dismissed workers concerned. The total cost of this study is estimated at EUR 93 000.

19. 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 of these services at EUR 2 645 000 and the expenditure for implementing EGF at EUR 193 000 (=6,8 % of the total amount). The total contribution requested from the EGF is EUR 1 844 700 (65 % 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)
<b>Personalised services</b> (first paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Professional guidance ( <i>Orientación profesional</i> )	500	2 250	1 125 000
Training and re-training ( <i>Formación y reciclaje</i> )	150	4 500	675 000
Promotion of entrepreneurship ( <i>Fomento del espíritu empresarial</i> )	50	4 500	225 000
Mobility vouchers ( <i>Permisos para movilidad</i> )	70	2 000	140 000
Training vouchers ( <i>Permisos para formación</i> )	160	1 750	280 000
Support for reconciliation ( <i>Ayudas para la conciliación</i> )	50	4 000	200 000
<b>Sub total personalised services</b>			<b>2 645 000</b>
<b>Expenditure for implementing EGF</b> (third paragraph of Article 3 of Regulation (EC) No			



1927/2006)			
Preparatory activities			123 000
Management			15 000
Information and publicity			25 000
Control activities			30 000
<b>Sub total expenditure for implementing EGF</b>			<b>193 000</b>
<b>Total estimated costs</b>			<b>2 838 000</b>
<i>EGF contribution (65 % of total costs)</i>			<i>1 844 700</i>

20. Spain confirms that the measures described above are complementary with actions funded by the Structural Funds. In addition, the Spanish authorities stated that there is currently no specific programme for dismissed workers in the textiles industry. There is only a general programme providing training measures for unemployed workers.

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

21. Spain started the personalised services to the affected workers included in the co-ordinated package proposed for co-financing to the EGF, on 8 February 2010. 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**

22. The social partners were consulted on the co-ordinated package of measures through the social dialogue forum for the textile sector involving the Xunta de Galicia, the employers and the trade unions.
23. The Spanish authorities confirmed that the requirements laid down in national and Community legislation concerning collective redundancies have been complied with.

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

24. 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 under points 17 and 19 above do not receive assistance from other Community financial instruments.

### **Management and control systems**

25. Spain has notified the Commission that the financial contribution will be managed and controlled by the same bodies that manage and control the European Social Fund (ESF) funding in Spain. The Dirección General de Planificación y Fondos Comunitarios in cooperation with the Dirección General de Relaciones Laborales de la Xunta de Galicia will be the intermediate body for the managing authority.

### **Financing**

26. On the basis of the application from Spain, the proposed contribution from the EGF to the coordinated package of personalised services is EUR 1 844 700, representing 65 % of the total cost. The Commission's proposed allocation from the Fund is based on the information made available by Spain.
27. 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 above, to be allocated under heading 1a of the financial framework.
28. 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.
29. By presenting this proposal to mobilise the EGF, the Commission initiates the simplified dialogue procedure, as required by Point 28 of the Inter-institutional 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 dialogue meeting will be convened.
30. The Commission presents separately a transfer request in order to enter in the 2010 budget specific commitment and payment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.

### **Source of payment appropriations**

31. In the current state of implementation, it is foreseeable that the payment appropriations available in 2010 under the budget line 01.0404 "Competitiveness and Innovation Framework Programme - Entrepreneurship and innovation programme" will not be fully used this year.
32. Indeed, this line covers expenditure related to the implementation of the financial instrument of this programme, the main objective of which is to facilitate the access

of SMEs to finance. Some time lag exists between transfers to the trust accounts managed by the European Investment Fund and disbursement to the beneficiaries. The financial crisis has a major effect on the forecasts in terms of disbursements for 2010. As a result, in order to avoid excessive balances on the trust accounts, the methodology for calculation of payment appropriations has been reviewed, taking into account the expected disbursements. The amount of EUR 1 844 700 can therefore be made available for transfer.

**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/2010/003 ES/Galicia Textiles from Spain)**

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 management<sup>9</sup>, 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 Fund<sup>10</sup>, and in particular Article 12(3) thereof,

Having regard to the proposal from the European Commission<sup>11</sup>,

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 scope of the EGF was broadened for applications submitted from 1 May 2009 to include support for workers made redundant as a direct result of the global financial and economic crisis.
- (3) The Interinstitutional Agreement of 17 May 2006 allows the mobilisation of the EGF within the annual ceiling of EUR 500 million.
- (4) Spain submitted an application to mobilise the EGF, in respect of redundancies in 82 enterprises operating in NACE Revision 2 Division 14 (manufacture of wearing apparel) in a single NUTS II region, Galicia (ES11) on 5 February 2010 and supplemented it by additional information up to 11 May 2010. This application complies with the requirements for determining the financial contributions as laid

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<sup>9</sup> OJ C 139, 14.6.2006, p. 1.

<sup>10</sup> OJ L 406, 30.12.2006, p. 1.

<sup>11</sup> OJ C [...], [...], p. [...].

down in Article 10 of Regulation (EC) No 1927/2006. The Commission, therefore, proposes to mobilise an amount of EUR 1 844 700.

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

HAVE DECIDED AS FOLLOWS:

*Article 1*

For the general budget of the European Union for the financial year 2010, the European Globalisation Adjustment Fund (EGF) shall be mobilised to provide the sum of EUR 1 844 700 in commitment and payment appropriations.

*Article 2*

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

Done at,

*For the European Parliament*  
*The President*

*For the Council*  
*The President*