



**COUNCIL OF
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PROPOSAL

from:	Commission
dated:	19 October 2012
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Subject:	Proposal for a Decision of the European Parliament and of the Council on the mobilisation of the European Globalisation Adjustment Fund in accordance with point 28 of the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management (application EGF/2012/005 SE/Saab from Sweden)

Delegations will find attached a proposal from the Commission, submitted under a covering letter from Mr Jordi AYET PUIGARNAU, Director, to Mr Uwe CORSEPIUS, Secretary-General of the Council of the European Union.

Encl.: COM(2012) 622 final



Brussels, 19.10.2012
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Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the mobilisation of the European Globalisation Adjustment Fund in accordance with point 28 of the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management (application EGF/2012/005 SE/Saab from Sweden)

EXPLANATORY MEMORANDUM

Point 28 of the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management¹ allows for the mobilisation of the European Globalisation Adjustment Fund (EGF) through a flexibility mechanism, within the annual ceiling of EUR 500 million over and above the relevant headings of the financial framework.

The rules applicable to the contributions from the EGF are laid down in Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 on establishing the European Globalisation Adjustment Fund².

On 25 May 2012, Sweden submitted application EGF/2012/005 SE/Saab for a financial contribution from the EGF, following redundancies in Saab Automobile SA, one of its subsidiaries and 16 of its suppliers in Sweden.

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/2012/005
Member State	Sweden
Article 2	(a)
Primary enterprise	Saab Automobile SA
Suppliers and downstream producers	16
Reference period	19.12.2011 – 19.4.2012
Starting date for the personalised services	20.12.2011
Application date	25.5.2012
Redundancies during the reference period	3 239
Redundancies before and after the reference period	509
Total eligible redundancies	3 748
Redundant workers expected to participate in the measures	1 350
Expenditure for personalised services (EUR)	10 509 120
Expenditure for implementing EGF ³ (EUR)	400 000
Expenditure for implementing EGF (%)	3,67
Total budget (EUR)	10 909 120
EGF contribution (50 %) (EUR)	5 454 560

1. The application was presented to the Commission on 25 May 2012 and supplemented by additional information up to 20 August 2012.
2. The application meets the conditions for deploying the EGF as set out in Article 2(a) of Regulation (EC) No 1927/2006, and was submitted within the deadline of 10 weeks referred to in Article 5 of that Regulation.

¹ OJ C 139, 14.6.2006, p. 1.

² OJ L 406, 30.12.2006, p. 1.

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

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, Sweden refers to the 2011 Automobile Industry Pocket Guide⁴ which shows that the EU-27 in 2010 with 15,1 million units had 26 % of worldwide passenger car production, a major reduction from 34,1 % in 2005 and 35,9 % in 2000. During the same decade, the market share of the BRIC countries had risen from 8,4 % (2000) to 15,8 % (2005) and 33,5 % (2010).
4. 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 2012⁵.
5. The latest semiannual report from the European Automobile Manufacturers' Association (ACEA)⁶ shows that new passenger car registrations in the EU continue to decline. Thus, the June 2012 figure is 2,8 % below that of June 2011, itself 7,3 % below that of June 2010. The trend has been almost constantly downwards during the past five years (2008 to 2012, with a small increase only in 2009).
6. Saab's situation had been uncertain over the past few years, with General Motors announcing in August 2008 that it wished to sell the company. Following several rounds of fruitless negotiations, the Dutch company Spyker Cars bought Saab on 23 February 2010. It soon ran into liquidity problems halting production. An attempt to sell the business to a Chinese company failed when General Motors refused to assign the licences for the cars it wanted to construct. On 19 December 2011, Saab Automobile filed for bankruptcy.
7. 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 related⁷.

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

8. Sweden submitted this application under the intervention criteria of Article 2(a) of Regulation (EC) No 1927/2006, which requires at least 500 redundancies over a four-month period in an enterprise in a Member State, including workers made redundant in its suppliers and downstream producers.
9. The application cites 3 239 redundancies in Saab Automobile AB and its subsidiary SAAB Automobile Powertrain AB during the four-month reference period from 19 December 2011 to 19 April 2012 and a further 509 redundancies with 16 subcontractors before the reference period, but related to the same collective redundancy procedure. All of these redundancies were calculated in accordance with the third indent of the second paragraph of Article 2 of Regulation (EC) No

⁴ http://www.acea.be/images/uploads/files/20110921_Pocket_Guide_3rd_edition.pdf

⁵ http://ec.europa.eu/enterprise/sectors/automotive/files/cars-21-final-report-2012_en.pdf

⁶ http://www.acea.be/images/uploads/files/20120717_PRPC-FINAL-1206.pdf

⁷ Regular updates here : <http://ec.europa.eu/social/BlobServlet?docId=4558&langId=en>

1927/2006. The Swedish authorities have confirmed in accordance with the same third indent that all these redundancies have meanwhile been effected.

Explanation of the unforeseen nature of those redundancies

10. The Swedish authorities argue that despite the problems experienced by Saab during the past several years, the bankruptcy and closure were unforeseen. Several buyers were interested in taking over the company and its workforce, and several car designs and models were attractive to potential buyers. It was only when GM as the former owner refused to assign the necessary licences to a potential Chinese buyer, that the company ran out of options and decided to file for bankruptcy.

Identification of the dismissing enterprises and workers targeted for assistance

11. The application relates to 3 748 redundancies of which 3 239 occurred in Saab Automobile AB and its subsidiary Saab Automobile Powertrain AB and the remaining 509 within 16 subcontractors. As the list of subcontractors is confidential though available for audit, the companies are listed as A, B, C etc. hereunder.

Company	Number of redundancies
Saab Automobile Aktiebolag	2 960
Saab Automobile Powertrain AB	279
A	71
B	45
C	7
D	88
E	123
F	20
G	8
H	14
I	11
J	20
K	8
L	31
M	10
N	16
O	5
P	32
Total	3 748

12. Of this total, 1 350 workers are targeted. Most of the remaining workers (in particular, the technicians and other well qualified workers) have already found new jobs. The break-down of the targeted workers is as follows:

Category	Number	Percent
Men	1 000	74,07
Women	350	25,93
EU citizens	1 320	97,78
Non EU citizens	30	2,22
15-24 years old	15	1,11
25-54 years old	1 200	88,89
55-64 years old	135	10,00

> 64 years old	0	0,00
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13. Among these workers, there are 20 with longstanding health problems or disabilities.

14. In terms of occupational categories, the break-down is as follows:

Category	Number	Percent
Legislators, senior officials and managers	27	2,00
Professionals	215	15,93
Technicians and associate professionals	180	13,33
Clerks	193	14,30
Service workers and shop and market sales workers	16	1,19
Craft and related trade workers	88	6,52
Plant and machine operators and assemblers	523	38,74
Elementary occupations	5	0,37
Others	103	7,63

15. The 103 persons listed as "others" comprise a mix of workers from various small categories, such as directors, medical staff, and artists.
16. In accordance with Article 7 of Regulation (EC) No 1927/2006, Sweden 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

17. The vast majority of the redundant workers reside in the municipalities of Trollhättan, Vänersborg and Uddevalla, which are located between 70 and 90 km north of Gothenburg, the principal city of the industrialised county of Västra Götaland. This is an area of already high unemployment, due to previous factory closures. Manufacturing is the largest business sector in Trollhättan with its 55 500 inhabitants.

The Swedish Public Employment Service will be the main stakeholder in all the affected municipalities, together with the City of Trollhättan, University West, the trade unions and the outplacement organisations Trygghetsrådet TRR and Startkraft.

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

18. After Saab's bankruptcy, unemployment in Trollhättan in January 2012 rose to over 20 %, the highest unemployment figure among the 290 municipalities in the country. Neighbouring municipalities also experienced a sharp rise in unemployment for the same reason, even though many of these already had very high levels.

Saab Automobile also contributed to indirect effects on employment and value added through purchases of inputs and consultancy as well as other services from suppliers. The National Institute of Economic Research (NIER) produced an estimate of the impact of the closure of Saab on the Swedish economy, which shows that in 2010 Saab generated about 3 200 jobs among its subcontractors, which at the time was equivalent to 0,9 external jobs per job at Saab.

About 2 000 of the 3 600 Saab workers live in Trollhättan, which is 8,4 % of those employed in the municipality.

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

19. Sweden proposes EGF measures and actions which go beyond what the Employment Service would normally offer, so that it works with an "extended toolkit" to find tailor-made solutions. In practice this will strengthen efforts in areas such as job-search support, vocational guidance, tailor-made training and further training (e.g. in new IT skills), validation of work experience, outplacement, entrepreneurship promotion measures or support for self-employment, and special time-limited measures (support for jobseekers, relocation allowances, training allowances, measures to assist disadvantaged or older employees to keep their jobs or to re-enter the labour market, etc.).
20. EGF supported workers will be offered a wider programme of measures to choose from, including measures not normally offered by the PES. They could benefit from longer-duration measures than usually available, and an enhanced service at an earlier stage than can normally be offered. One focus of all the measures listed hereunder is the move towards green jobs, where Sweden is one of the leading players at international level. Forecasts predict future labour shortages in this area, which the EGF measures could help to avert. The largest wave power park in the world will be completed in 2014-15 in Sotenäs Municipality, within commuting distance of the Trollhättan region.
21. The EGF measures will include the following :
 - Job-search support : The targeted workers will receive earlier and more personalised support than could normally be given, and those with a long employment record will receive special assistance. Group work will be included among the measures on offer. Job coaching efforts will be made available to the workers.
 - Vocational guidance : Targeted workers will receive enhanced support at an early stage, individually or in groups. The objective is that the participants will arrive at a realistic vocational orientation within a field where there is a demand for labour and where, upon completion of a supplementary training course, the participant is judged as having good chances of finding a job. Special attention will be given to job opportunities in the green sectors.
 - Validation of experience and labour market training : Validation of experience is currently available under the general schemes for the areas of electricity, construction, healthcare, industry, transportation and catering / restaurants. The EGF support will open new possibilities to the redundant workers in other areas where they have gained experience and where they might obtain the necessary qualifications either directly or with the help of limited further training, including in green job sectors. Apprenticeship training will also be offered to those who wish to pursue this option.

The Employment Service can offer shorter vocational courses aimed at filling occupations with a skills shortage that cannot be remedied with the usual training system. The EGF contribution will enable it to broaden the numbers of courses

available, to provide for graduate level entry, to extend the duration from the usual six months to twelve months and to include the qualification as Project Manager within the individual's existing or potential area of expertise.

- Work placement and job-search support : The duration of work placements with potential employers can be extended with the EGF support beyond the usual six months, if this is expected to help the worker in question to be hired by the relevant employer.
- Support for business start-ups : In addition to the normal provisions for business start-ups, the support of the EGF will enable the workers to receive enhanced start-up allowances and longer mentoring, as well as additional training, counselling and marketing advice.
- Mobility allowances : These are granted in support of households relocating to a new city, travel costs to interviews, and travel costs for commuting.

22. 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.
23. The personalised services presented by the Swedish authorities are active labour market measures within the eligible actions defined by Article 3 of Regulation (EC) No 1927/2006. The Swedish authorities estimate the total costs at EUR 10 909 120, of which the expenditure for personalised services at EUR 10 509 120 and the expenditure for implementing the EGF at EUR 400 000 (3,67 % of the total amount). The total contribution requested from the EGF is EUR 5 454 560 (50 % of the total costs).

Actions	Estimated number of workers targeted	Estimated cost per worker targeted (EUR)	Total costs (EGF and national cofinancing) (EUR)
Personalised services (first paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Job-search support	1 350	373	503 550
Vocational guidance	1 350	93	125 550
Validation of experience and labour market training	800	6 000	4 800 000
Work placement and job-search support	800	5 000	4 000 000
Support for business start-ups	90	9 778	880 020
Mobility allowances	400	500	200 000
Sub total personalised services			10 509 120
Expenditure for implementing EGF (third paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Preparatory activities			80 000
Management			190 000
Information and publicity			60 000
Control activities			70 000
Sub total expenditure for implementing EGF			400 000
Total estimated costs			10 909 120
<i>EGF contribution (50 % of total costs)</i>			<i>5 454 560</i>

24. Sweden confirms that the measures described above are complementary with actions funded by the Structural Funds. The Swedish Public Employment Service will adapt review lists to ensure that recipients of EGF support do not also receive assistance from other Union financial instruments, so that all double financing can be prevented.

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

25. Sweden started the personalised services to the affected workers included in the co-ordinated package proposed for co-financing to the EGF on 20 December 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

26. Since production at the Saab plant was halted, the Employment Service has been ready to undertake measures on behalf of the personnel involved. This has resulted in positive relations with the municipality, the employers, the trade union organisations and the outplacement organisations Startkraft and Trygghetsrådet (both themselves set up by collective agreements).
27. The Swedish 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

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

29. Sweden has notified the Commission that the financial contribution will be managed by the Swedish Public Employment Service (PES) which will be formally appointed as the managing and paying authority. The project accounts will be examined by the Internal Audit Unit, which is a separate body attached to the board of PES. Its task is to examine the internal control and verification process at PES and suggest improvements, as well as providing advice and support for the Board and the Director General. Project auditing will take place on a regular basis.

Financing

30. On the basis of the application from Sweden, the proposed contribution from the EGF to the coordinated package of personalised services (including expenditure to implement EGF) is EUR 5 454 560, representing 50 % of the total cost. The Commission's proposed allocation under the Fund is based on the information made available by Sweden.
31. Considering the maximum possible amount of a financial contribution from the EGF under Article 10(1) of Regulation (EC) No 1927/2006, as well as the scope for reallocating appropriations, the Commission proposes to mobilise the EGF for the

total amount referred to above, to be allocated under heading 1a of the financial framework.

32. 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.
33. By presenting this proposal to mobilise the EGF, the Commission initiates the simplified dialogue procedure, as required by Point 28 of the Interinstitutional Agreement of 17 May 2006, with a view to securing the agreement of the two arms of the budgetary authority on the need to use the EGF and the amount required. The Commission invites the first of the two arms of the budgetary authority that reaches agreement on the draft mobilisation proposal, at appropriate political level, to inform the other arm and the Commission of its intentions. In case of disagreement by either of the two arms of the budgetary authority, a formal dialogue meeting will be convened.
34. The Commission presents separately a transfer request in order to enter in the 2012 budget specific commitment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.

Source of payment appropriations

35. After the adoption of the two arms of the Budgetary Authority of the EGF cases currently in the pipeline, the available payment appropriations on the EGF budget line would amount to EUR 6 618. A transfer of EUR 5 447 942 from the European Progress Microfinance Facility would be used to cover the additional amount needed for the present application.
36. The payment needs of the European Progress Microfinance Facility by the end of the year based on the latest estimations provided by the European Investment Fund which is its managing authority allow for the transfer of EUR 5 447 942 to the EGF budget line.

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on the mobilisation of the European Globalisation Adjustment Fund in accordance with point 28 of the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management (application EGF/2012/005 SE/Saab from Sweden)

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 management⁸, 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 Fund⁹, and in particular Article 12(3) thereof,

Having regard to the proposal from the European Commission¹⁰,

Whereas:

- (1) The European Globalisation Adjustment Fund (EGF) was established to provide additional support for workers made redundant as a result of major structural changes in world trade patterns due to globalisation and to assist them with their reintegration into the labour market.
- (2) The Interinstitutional Agreement of 17 May 2006 allows the mobilisation of the EGF within the annual ceiling of EUR 500 million.
- (3) Sweden submitted an application to mobilise the EGF, in respect of redundancies in the enterprise Saab Automobile SA, one of its subsidiaries and 16 of its suppliers, on 25 May 2012 and supplemented it by additional information up to 20 August 2012. 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 5 454 560.
- (4) The EGF should, therefore, be mobilised in order to provide a financial contribution for the application submitted by Sweden,

⁸ OJ C 139, 14.6.2006, p. 1.

⁹ OJ L 406, 30.12.2006, p. 1.

¹⁰ OJ C [...], [...], p. [...].

HAVE ADOPTED THIS DECISION:

Article 1

For the general budget of the European Union for the financial year 2012, the European Globalisation Adjustment Fund (EGF) shall be mobilised to provide the sum of EUR 5 454 560 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