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## COMMUNICATION TO THE COMMISSION

### on application EGF/2007/01/FR/PSA received from France for a financial contribution from the European Globalisation Adjustment Fund

France submitted application EGF/2007/01/FR/PSA for a financial contribution from the European Globalisation Adjustment Fund, hereinafter 'EGF', following the redundancies in the suppliers of Peugeot Société Anonyme, hereinafter 'PSA'.

1. The application was presented by the French authorities to the Commission on 9 March 2007. It was based upon the specific intervention criteria of Article 2 (a) of Regulation (EC) No 1927/2006 of the European Parliament and of the Council on establishing the European Globalisation Adjustment Fund<sup>1</sup> and was submitted within the deadline of 10 weeks referred to in Article 5 of that Regulation.
2. The application, as completed by additional information on 11 May 2007, meets the conditions for mobilising the EGF set out in Article 2 of Regulation (EC) No 1927/2006.

#### 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 redundancies in the industry supplying car parts to PSA. In order to establish the link between the redundancies and the major structural changes in world trade patterns, France provides statistical evidence that the redundancies follow from a substantial increase of car imports into the EU and a rapid decline of the EU world market share in the car industry, which led to a reduction of PSA car production in the EU.
4. For the period 2001-2005 the annual world car production increased by 14% from 58.3 million to 66.5 million units, whilst the increase in production in the EU was only 5%. In terms of share in the world car market, the market share of Asia increased by 8 points from 30.7% in 2001 to 38.8% in 2005, that of the American continent decreased by 1.7 points from 30.7% in 2001 to 29.0% in 2005 and that of the EU 27 decreased by 3.7 points from 33.7% in 2001 to 29.9% in 2005. The main driving forces of this redistribution of world market shares are the geographic patterns of consumption, in particular the rapid growth of Asian markets which EU producers are obviously less able to benefit from, being traditionally less well positioned on those markets than elsewhere.
5. At the same time, Korean and Japanese manufacturers gained in competitiveness on the European market. The number of cars manufactured in Japan and Korea and imported into the EU increased by 27% during the period from 2001 to 2005. These

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

increased imports were mainly competing with the production of smaller cars in the EU.

6. The increase of imports into the EU is confirmed by the statistical data available to the Commission. In 2002 the imports into the EU of cars manufactured outside the EU represented 9.3% of car sales in the EU. In 2006 this share had risen to 13.9%. This phenomenon is confirmed for the lower market segment where the share of imports into the EU of cars manufactured outside the EU in total car sales in the EU was 5.2% in 2002 and 9.2% in 2006.

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

7. As car production by PSA is to a large extent concentrated in these lower segments, France claims that these changes in world trade patterns have affected this manufacturer and led to a serious economic disruption. The effect of the increased imports of small cars, in particular from Asia, and the increased competition on the world market has contributed to a certain extent to a reduction of its production in volume (aggregate number of cars and light utility vehicles produced) in France by 14.3% in 2006. This has not resulted in large-scale redundancies in PSA, but has led to the disappearance of several thousands of jobs previously filled by temporary or contract workers. However, in the firms that supply PSA with components, the reduction of activities and pressure on component prices have led to many redundancies, giving rise to this application.
8. In its Communication to the European Parliament and the Council<sup>2</sup> on the Commission's position on the CARS 21 High Level Group Final Report, the Commission recognised that the car industry is restructuring in reaction to the structural problems which have existed in parts of the industry for some time. High fixed costs, structural overcapacity and recent record prices in global commodity markets combined with aggressive price competition among manufacturers have led many companies to focus on their long term competitiveness by concentrating on improving productivity and optimising cost structures. This, in turn has led to the reorganisation of production processes and a tendency towards workforce reduction. The overall impact may be further aggravated by knock-on effects on the automotive supply chain given the integral part of suppliers in vehicle construction.
9. In conclusion, the appreciation of the Commission services is that the redundancies can be linked to major structural changes in world trade patterns, as stated in the application.

(b) Demonstration of the number of redundancies:

10. France submitted this application under the intervention criterion of Article 2(a) of Regulation (EC) No. 1927, which requires at least 1000 redundancies over a 4-month period in an enterprise including workers made redundant in its suppliers or downstream producers. The application demonstrates a total of 1,345 notified

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<sup>2</sup> COM(2007)22 final, 07.02.2007

redundancies amongst suppliers to PSA during the four-month period of reference (1 September 2006 to 31 December 2006).

11. This figure is more than sufficient to comply with the requirement set out in Article 2 of Regulation (EC) No 1927/2006.

(c) Explanation of the unforeseen nature of those redundancies:

12. The application states that the increased level of competition on the EU and world markets, in particular from Asian competitors, and the strength of the Euro vis-à-vis the US dollar and the Yen, was difficult to integrate into the forward planning of EU car manufacturers. This uncertainty was then magnified for the component manufacturers who were subject to decisions taken by the large car manufacturers in their own interests. The Commission shares the opinion of the applicant Member State regarding the difficulty in forecasting the impact on employment of macroeconomic factors.

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

13. The upstream suppliers to PSA with redundancies during the period of reference are listed in the application, along with their sector of activity, their commune, department and region. The total of 1,345 redundancies involved 18 different enterprises, operating at 38 different sites in eleven French regions. The numbers of individual redundancies per site varied from one to 267.
14. The application, however, proposes to provide assistance co-financed by the EGF, only to the workers made redundant by one of these suppliers, which has gone into liquidation and is no longer in a position to provide effective assistance to its workers. Thus, out of 1,345 redundant workers in the PSA supply chain, the application targets for assistance the 267 workers of the *Ateliers de Thomé Génot* in Nouzonville (Département des Ardennes).
15. The categories of the workers to be targeted for assistance, as well as all other workers being made redundant in the PSA supply-chain, are identified in the application. Among the 267 workers to be targeted for assistance there are;

Unskilled workers	34
Skilled workers	195
Technicians	23
Engineers	15
<i>Total</i>	<i>267</i>

Of this number, 226 are male and 41 female; and most are aged between 25 and 54 years old: only 29 are over 55, and 2 are under 25 years of age.

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

16. The suppliers to PSA are located in many of the French regions, but with a concentration in the east (Franche-Comté), north (Nord-Pas-de-Calais) and the Ile de France. Each of these regions, and its dependency on the automobile industry, is

described in the application. In particular, in Franche-Comté, the automobile sector is the largest industrial sector, accounting for some 27% of the industrial workforce, and in one of its component Departments (Doubs) that proportion rises to 45%.

17. The application proposes to target for assistance only the redundant workers of the *Ateliers de Thomé Génot*, situated in Nouzonville, Département des Ardennes, in the region Champagne-Ardenne. The automobile sector employs around 5,122 workers in the region.
18. The roles of the state and of the regions and departments are described in the application. In addition, a general description of the employers' and workers' organisations, sectoral bodies, and development agencies is provided: these are uniform throughout France and thus the description covers all of the territories concerned.

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

19. The application categorises the different local labour markets in which the redundancies have taken place according to a methodology based upon three indicators: current situation, fragility and potential. Each local labour market is then compared to the national average according to each indicator, and grouped into four categories: where all three indicators are more favourable than the national average (A); where two indicators are better, and one worse (B1, B2, B3); where one indicator is better, and two worse (C1, C2, C3); and where all indicators are worse than the national average (D).

The eight categories are divided into three groups; Group 1 are 'healthy' local labour markets (A, B1 and B2); Group 2 are local labour markets 'under observation' (B3 and C1), and Group 3 are local labour markets in difficulty (C2, C3 and D).

The expected impact of the redundancies is therefore assessed against the state of health of the local labour market. In local labour markets of the third group, the expected impact is considerably more negative than in the first or second.

Out of the total redundancies notified during the reference period amongst suppliers to PSA, 756 (52.7%) occurred in labour markets in difficulty (Group 3). A further 230 (16%) occurred in labour markets under observation (Group 2), and 448 (31.2%) of the redundancies occurred in 'healthy' labour markets where the capacity of the labour market to re-employ the workers was good.

20. The application proposes to target for assistance the redundant workers of the *Ateliers de Thomé Génot*, situated in Nouzonville in the Département des Ardennes. This commune is classified, according to the methodology above, as a labour market in difficulty (C2). As such, it is considered to have few means to cope with an economic shock of this magnitude, and little capacity to absorb the redundant workers.
21. In conclusion, in such circumstances, the redundancies would have a significantly negative effect on the local economy of the region in which they occurred.

(g) Coordinated package of personalised services to be funded and a breakdown of its estimated cost, including its complementarity with actions financed by the Structural Funds.

Three specific types of measures are proposed, all of which combine to form a coordinated package of professional transition actions:

1. Training measures, including;
  - (a) Tailor-made training and re-training. The activities include the definition of training projects and verification that the training will be able to meet the needs of the applicant, adapted to his or her objectives and personal characteristics, and to accompany him or her in the implementation of the defined action plan.
  - (b) Training for acquisition of new qualifications. The aim of this benefit is to encourage the return to employment by the acquisition of a new qualification. The recipients should acquire a professional certification from the Ministry of Labour, or with a certificate of professional competence. This training is carried out in modular form and lasts on average 800 hours.
  - (c) Certification of acquired experience. This benefit is intended to help the person to identify all his or her competences and to formalise them in certificate of professional practice.
  - (d) Design and implementation of the training package. This will include the drawing-up of a professional employment conversion project for the territory concerned, the identification of the competences that can be mobilised and aid for the implementation of the envisaged training courses. The elaboration of individual training courses makes it possible to accompany persons for the duration of the courses and to define strategies for access to employment
2. Job-search allowance, for each of the workers affected, in order to assist them to participate in the training provided, and to seek new jobs. These allowances are payable for a limited period not exceeding 12 months.
3. Grants to stimulate disadvantaged or older workers to remain in the labour market. These grants form a part of the Professional Transition Contract (CTP) which provides workers with security and certainty during periods of professional transition.

The personalised services that are part of a coordinated package presented by the French authorities are active labour market measures that fall within the eligible actions as defined in Article 3 of Regulation (EC) No 1927/2006. The total costs of these services are estimated at EUR 5.116.500 by the French authorities and the requested contribution from the EGF is EUR 2.558.250 (50% of the total costs). These services will be provided to 267 workers made redundant in one supplier of PSA: *Ateliers de Thomé Génot* in Nouzonville (Ardennes). This enterprise is in legal liquidation and as such no longer has any legal obligation to put in place reclassification measures.

Actions	Number of workers targeted	Estimated cost per worker targeted (in EUR)	Total costs (EGF and national co-financing) (in EUR)
<b>A. Personalised services (Article 3(1))</b>			
Prestation appui aux projets de formation (tailor-made training and re-training)	118	300	35 400
Formations en parcours qualifiant (training for acquisition of new qualifications)	20	5 000	100 000
Validation des acquis de l'expérience (certification of acquired experience)	30	750	22 500
Appui au projet de conversion (design and implementation of the training package)	100	900	90 000
Allocation de transition professionnelle (Job-search allowance)	267	15 800	4 218 600
Measures to stimulate disadvantaged or older workers	130	5 000	650 000
Sub-total personalised services			5 116 500
<b>B. Technical assistance for implementing EGF (Article 3(3))</b>			
Sub-total technical assistance			0
Total estimated costs			5 116 500
<b>EGF contribution (50% of total costs)</b>			<b>2 558 250</b>

[Note: figures are estimates]

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

22. Personalised services to the affected workers of *Ateliers de Thomé Génot* included in the coordinated package proposed for co-financing through the EGF were started by France on 1/11/2006. This date therefore represents the beginning of the period of eligibility for any assistance that might be awarded from the EGF.

(i) Procedures followed for consulting the social partners.

23. As regards the procedure followed for consulting the social partners on the proposed coordinated package of personalised services, France confirmed on 3 May 2007 that the procedures provided for in national labour law had been complied with.

24. France confirmed that requirements laid down in national and Community legislation in respect of collective redundancies have been complied with.

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

25. As regards the fulfilment of the criteria set out in Article 6 of Regulation (EC) No 1927/2006 France provided the following elements:

- France 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. In France an enterprise is obliged to establish a job saving plan ("plan de sauvegarde de l'emploi") the quality and contents of which is determined by the financial capacity of the dismissing enterprises. In the specific case of *Ateliers de Thomé Génot*, an enterprise that has gone into judicial liquidation, France indicated that in such a case the enterprise is no longer subject to its obligation to put in place re-employment measures ("mesures de reclassement").
- In France the national and local authorities do not have any legal or conventional obligation to intervene in the costs of re-employment measures. The national authorities can intervene at the explicit request of an enterprise, but are not legally obliged to do so. Local and regional authorities also have no legal obligation with respect to re-employment. It is left at their discretion whether or not they choose to intervene.
- According to the French authorities, State intervention in favour of the redundant workers of a company that has gone into judicial liquidation seems unavoidable. EGF assistance is complementing the financial efforts made by France. France confirmed that the actions listed in the table above provide support for individual workers and are not used for restructuring of companies or sectors.
- France has confirmed that actions funded under the EGF will not receive assistance from other Community financial instruments. In order to avoid double funding, the intermediate institutions that will provide the personalised services to the redundant workers will be required to declare whether they receive funding from the ESF or from the ERDF, and in the affirmative specify for which actions.

26. Management and control systems:

France has notified the Commission that the financial contribution will be managed and controlled by a different body from the one already designated in respect of the ESF. France has appointed the Délégation Générale à l'Emploi et à la Formation Professionnelle – Sous direction des mutations économiques – Fonds national pour

l'emploi as managing authority for the EGF. France has confirmed that it will inform the Commission concerning the guidelines it will provide to the managing authority for the implementation of the EGF contribution as well as the detailed audit trail.

#### Conclusion

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

#### FINANCING

The total annual budget available for the EGF is EUR 500 million.

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. Currently, the full annual amount of EUR 500 million is available.

It is proposed to mobilise EUR 2.558.250 from the EGF.

#### THE COMMISSION IS THEREFORE REQUESTED TO:

- to approve the conclusions on application EGF/2007/01/FR/PSA submitted by France, as set out in this Communication;
- submit to the budgetary authority a proposal to authorise appropriations corresponding to EUR 2.558.250, as specified in point 5 as well as a request for the transfer of this amount in commitment appropriations from the reserve budget line 40.0243 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 04.02.01 to budget line 04.0501.European Globalisation Adjustment Fund.