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**on application EGF/2009/08 IE/Dell
received from Ireland for a financial contribution from the
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Ireland submitted application EGF/2009/08 IE/Dell for a financial contribution from the European Globalisation Adjustment Fund, hereinafter 'EGF', following the redundancies in Dell Products (Manufacturing) Limited (hereinafter 'Dell').

1. The application was received by the Commission from the Irish authorities on 29 June 2009 and supplemented by additional information submitted by the Member State in June and July 2009.
2. The application meets the conditions for deploying the EGF as set out in Article 2(a) of Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 on establishing the European Globalisation Adjustment Fund¹, and was submitted within the deadline of 10 weeks referred to in Article 5 of that Regulation.

SUMMARY OF THE APPLICATIONS, AND ANALYSIS

(a) Analysis of the link between the redundancies and major structural changes in world trade patterns or the financial and economic crisis

3. The application relates to 2,840 redundancies in Dell and its suppliers, of whom 1,135 were made redundant during the 4-month reference period, and a further 1,705 were made redundant before and after this reference period, but no earlier than the notification to the competent public authorities on 8 January 2009 of the impending redundancies.
4. In order to establish the link between the redundancies and the financial and economic crisis, Ireland argues that world trade patterns in the computer manufacturing industry have been significantly impacted by the global economic and financial crisis. This has exacerbated the effects of changes already occurring in world trade patterns, and has resulted in major manufacturers, such as Dell, being forced or encouraged earlier than they might otherwise have planned, to seek out countries with lower production and labour costs.

Dell's model for the production of desktop computers included a customisation centre close to its markets. Given the size of desktop computers it was economical to customise them in relatively high-cost production centres like Ireland, as the shipping cost to their European customers was significantly lower than it would have been from Asia. The company's competitive advantage since its inception had been its 'Direct Model' where it sold directly to customers, customising the finished product to the customer's requirements.

¹ OJ L 406 of 30.12.2006, p. 1 Regulation as corrected in OJ L 48, 22.2.2008, p.82 and as amended by Regulation (EC) 546/2009 of the European Parliament and of the Council of 18 June 2009, OJ L 167 of 29/06/2009

However, as global notebook computer shipments topped those of desktops for the first time in the third quarter of 2008, and as notebooks offer less option for customisation, production can more easily be outsourced to Asian locations and shipping costs are less.

The scheduled redundancies in Dell in Limerick, and its suppliers in the region, were caused by the company's decision to transfer 'mobile PC'² production from Limerick to Asian original design manufacturers, largely based in China. With mobile PC production gone, the Limerick site would have been left with a small amount of desktop manufacturing which would not have had the economies of scale to remain viable – the decision was therefore made to also cease desktop manufacturing in Limerick. Dell's production of PCs in Europe is now limited to the company's existing factory in Łódź, Poland (for notebooks and desktops). The move to outsourcing to China was driven by three key industry developments: competitive cost pressure from Asia; the growth of mobile PC sales and the use of retail channels; and the growth of the BRIC markets, which are typically more price sensitive and less brand-aware.

The global economic crisis and financial crisis is having a major impact on the cost and pricing structures and balance sheets of major manufacturers. As a result, employment in otherwise efficient plants with skilled workforces is being adversely affected by globalised impacts influencing world trade and manufacturing patterns. The chain reaction affecting consumer confidence and spending patterns is in large measure caused and moulded by the current global financial and economic crisis and feeds through to the viability of production facilities and employment sustainability. The impacts on the ground of such adverse globalisation effects can be clearly seen in the case of the large-scale redundancies being implemented in Dell.

5. The application from Ireland demonstrates a rapid decline in the EU-27 share of the world market in office and telecommunications equipment, including computers in 2007. Using WTO statistics, it showed a decline from a 29.3% share of the world market in 2006 (and an average share of 29.6% over the period 2000-2006) to 26.1% in 2007, representing a decline of almost 12%.

In 2008 sales of computers were badly affected by the financial and economic crisis, as firms postponed investment plans. Within the sector the category that was worst affected was that of desktop computers, while sales of mobile PCs increased worldwide. According to industry analysts *iSuppli*, 2009 worldwide first-quarter sales of desktops dropping by 23% compared to the same period in 2008. In contrast, mobile PC shipments grew 10% compared to the first quarter of 2008. Dell experienced an 18.7% drop in computer shipments, declining to 8.8 million in Q1/2009, compared to 10.8 million during the same period in 2008. The company's market share declined to 13.2%, down from 14.9% in Q1/2008. Dell's performance in the first quarter was heavily influenced by its weak desktop shipments, which dragged down its overall market share, according to *iSuppli*.

6. In conclusion, the opinion of the Commission services is that the 2,840 redundancies in Dell and its suppliers can be linked, as required by Articles 1 and 2 of Regulation

² A category that includes laptops, notebooks and netbooks.

(EC) 1927/2006, to the financial and economic crisis, which has led to a sharp reduction in sales of desktop computers, the principal production at Dell in Limerick.

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

7. Ireland submitted the application under the intervention criterion of Article 2(a) of Regulation (EC) No 1927/2006, as amended, which requires at least 500 redundancies over a 4-month period. This period of four months runs from 3 February 2009 to 2 June
8. The application demonstrates 1,135 redundancies during the 4-month reference period, as follows :
 - 900 in Dell,
 - 235 in its supplier, Banta Global Turnkey.

It is the opinion of the Commission services that the total number of job losses in Dell and its suppliers during the reference period is sufficient to comply with the criteria of Article 2(a) of Regulation (EC) No 1927/2006.

(c) Explanation of the unforeseen nature of those redundancies

9. The Irish authorities argue that the Limerick plant was one of the best performing sites according to a number of indicators, and had recorded significant improvements in productivity and output over the period 2000 to 2006. However, the recent sudden growth in the market for 'mobile PCs' along with the sudden reduction in world demand for desktop PCs as a result of the financial and economic crisis had been impossible to predict.

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

10. The application EGF/2009/08 IE/Dell concerns a total of **2,840** redundancies (1,135 during the reference period and a further 1,705 before and after the reference period) in the following enterprises:

Dell Products	2,000	Sodexo	58
Banta Global Turnkey	477	Cube Printing	15
Irish Cargo Express	168	RPS Engineering	30
Sercom	17	Rehab Logistics	40
		Novo Strat	35

11. Of the 2,400 workers targeted for assistance in application EGF/2009/08 IE/Dell, 64% are male and 36% are female, 84% belong to the 25 to 54 years age group, 8% belong to the 55 to 64 years age group, 7% belong to the below 25 years age group and the remaining workers belong to the more than 65 years age group. In terms of categories, 91.1 % belong to the category 'manufacturing', 5.1 % to the category 'supply chain management', 2.2 % to the category 'engineering', 0.5 % to the category 'Custom Factory Integration', 0.4 % to the category 'facilities', 0.3 % to the category

'human resources', 0.2 % to the category 'finance', 0.1 % to the category 'procurement', and fewer than 0.1 % to the category 'health and safety'.

(e) Description of the territories concerned and their authorities and stakeholders

12. The application states that Dell is situated in the NUTS 3 Region of Mid-West Ireland, which has a combined population of 455,000 people. The region comprises the counties of Limerick, Clare and North Tipperary, as well as the city of Limerick, Ireland's fourth largest urban area. Each county has a County Council, and Limerick City has a city council.

Most of the responsible authorities are national, and answer directly to the Minister for Enterprise, Trade and Employment:

- Responsibility for national employment and training policy formulation and national funding is the Department of Enterprise, Trade and Employment. Responsibility at operational level resides in Foras Áiseanna Saothair (FÁS), the National Training and Employment Authority.
- Enterprise Ireland (EI) is the State authority responsible for assisting the growth of Irish enterprises by providing locally controlled businesses with a single, integrated source of development advice, funding and support services, and,
- IDA Ireland is the State sponsored agency responsible for securing new overseas development investment, in manufacturing and international services sectors and for encouraging existing foreign enterprises in Ireland to expand their businesses.

Other stakeholders include the Mid West Region Task Force, established in early 2009 after the Dell redundancy announcement and other major redundancies in the region, and comprised primarily of various private sector representatives together with State and semi-State bodies such as Forfás and Shannon Development.

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

13. The application demonstrates that the Mid-West Region is more dependent on manufacturing industry than the State as a whole, and thus is more vulnerable to a manufacturing downturn. Unemployment in the Mid-West, before the Dell redundancies, was at least 1.1% higher than the national average (Source: CSO 2008, QNHS, Q3 2008). Certain areas of Limerick city have unemployment rates up to 24%. According to the Forfás Employment Survey 2007, over 38% of employment in agency-assisted firms in Limerick was in the computer and electronic industry, specifically in the area of ICT hardware. This sector is an important sector of employment in the region with enterprises such as Dell, Analog Devices and Sercom all located in the Limerick area.

The scale of Dell's importance in Limerick is highlighted by their share of manufacturing employment and total employment in the Mid West Region. Of the 30,700 employed in the manufacturing sector, approx. 10.4% were employed within Dell. This represents 1.7% of total employment in the Region in 2008. Studies have

shown³ that there was an approximate ratio of 170 jobs dependent on every 100 permanent fulltime Dell employees in 2007.

The number of persons on the 'Live Register', which is a barometer of unemployment levels, in the Mid West Region showed an increase of 7,848 persons between 3 January 2009 and 10 May 2009 (from 26,272 to 34,120 persons registered).

The loss in the region of over 2,800 jobs from the redundancies at Dell and ancillary enterprises is estimated to equate to at least a 10% drop in regional manufacturing employment and a 1.7% drop in total employment.

14. In conclusion, in such circumstances, the redundancies can be seen to have a negative effect on the regional and local economy described.

(g) Co-ordinated package of personalised services to be funded and a breakdown of its estimated costs, including its complementarity with actions funded by the Structural Funds

15. In the application, the proposed measures are arranged into five distinct groups, in addition to the technical assistance necessary for the implementation of the package. The five groups of measures, all of which combine to form a co-ordinated package of personalised services aimed at re-integrating workers into the labour market, are:

- Guidance, through group and one-to-one interviews for redundant workers. FÁS, together with appropriate input from the educational institutions, will identify workers' current qualifications and job requirements and provide information on job opportunities regionally, nationally and in the EU. Upskilling and training requirements will also be identified. A broad range of relevant training and, where appropriate, onward referral to educational providers or to enterprise advisory bodies in relation to business initiatives will be initiated. It is anticipated that all targeted workers will participate in this measure, which will act as a screening process to decide on specific needs.
- Supports provided by FÁS. FÁS has identified three key priority groups with different needs, and has designed modular packages of measures appropriate to these groups:
 1. Redundant workers with low educational/occupational attainment,
 2. Redundant workers with middle level education, semi-skilled;
 3. Redundant workers with third level qualifications.

The application estimates that 150 redundant workers with secondary school Leaving Certificate level education will participate in specific skill training programmes such as Information Communications Technology, Finance and Business Skills, Engineering Manufacturing, and Social Care programmes at Further Education and Training Awards Council (FETAC) Level 4-6, or FÁS courses providing industry recognised specific qualifications including ECDL or MOUS. In addition to this, it is estimated that a further 350 workers with lower qualifications, i.e. Junior Certificate or less, will participate in these courses as a

³ Sources: Dell - An outline impact evaluation, 23 December 2008 (Forfás) and Employment and Value of Dell Operations, 24 February 2009 (Forfás)

result of progression from programmes provided by the VECs (see below).

200 workers will participate in an internship programme which will enable companies in the private sector to take on redundant workers from Dell and downstream companies on block placement for a significant time period, i.e. 6 months. This measure will focus on enabling redundant workers to make career changes where appropriate, and provide in-company placement and qualifications at the same time.

- A third group of support measures will be provided by the Vocational Education Committees (VECs) in the Mid-West Region, working closely with FÁS. These measures are targeted at those workers who currently have Levels 1-3 educational qualifications (Junior Certificate level or less). Data indicates that 1,300 workers fall into this category, and the application estimates that 25% of this cohort will participate, or 325 workers. The programme, called *UpSkill Solutions*, includes part-time courses for redundant workers covering a wide range of part-time, accredited, work-related adult learning programmes (National Framework of Qualifications (NFQ) levels 2-6). Its primary aim is to provide customised, accredited training for people who need to update their existing work-related skills, or acquire new skills, in order to enhance their employability and improve their life prospects. Each individual course leads to a FETAC Minor Award and runs for 40hrs. All learners are encouraged and supported to participate in more than one course, with a view to accumulating the 8 minor awards required for attainment of a FETAC Major Award at the appropriate level: 2-6.
- The fourth group of measures is aimed at workers with the potential for third level education (NFQ levels 6-9). The application proposes to take advantage of the recent extension of the EGF period of implementation from 12 to 24 months, thus making it possible to offer workers the opportunity to enrol with programmes of a longer timeframe. Moving away from (relatively) low-end manufacturing jobs such as previously provided by Dell and its downstream companies towards high-end jobs in services as well as manufacturing in an 'innovation economy' now demands a higher level of educational attainment as the norm. The growth sectors in the Irish economy in recent years such as Medical Devices and Software Development are expected to continue to develop in the future, and they require a pool of highly qualified workers. The application estimates that around 500 of the redundant workers are likely to take up the opportunity afforded of a third level place, of whom 60% will attend level 6 programmes, 15% will attend level 7, 15% will attend level 8 and 10% will attend level 9.
- The fifth group of measures proposed are supports for entrepreneurship. A range of supports including advice and financial support from Enterprise Ireland (EI) and the City and County Enterprise Boards will be provided for those workers seeking to start their own businesses through targeted entrepreneurship measures. This will include entrepreneurship promotion, feasibility study grant aid for self-employment, coordination of research and development grant aid for a limited number of high priority start-up projects and financial support for business start-ups. These programmes will be directly linked in core areas to the types of upskilling being provided in the educational institutions.

Employment grants may be used for recruitment of staff into a company or self-

employment of start-up promoters, and feasibility study grants are used to enable promoters who have or are developing a business proposal to ascertain whether or not there is a niche in the market for their product offering.

The most ambitious support in this group is the CORD (Commercialisation of Research and Development) campus enterprise programme grant, which is proposed to be given to start-up companies/promoters who attend a full time third level Enterprise Platform Programme delivered by Limerick Institute of Technology (LIT – LEAP Programme) and the Institute of Technology Tralee (IT Tralee – Endeavour Programme). Such grants will only be provided to entrepreneurs deemed to be a High Potential Start Up (HPSU – with potential to grow sales/exports of €1m and employ 10 or more staff within 3 years of commencement). Enterprise Ireland (EI) estimates that over a 2-year period around 20 potential HPSU prospects out of 50 available places in the Mid-West region will come from workers made redundant by Dell and down stream companies.

In addition EI delivers a number of Enterprise Start and Start Your Own Business short programmes to promote entrepreneurship, open to all redundant workers.

- The application requests a contribution from the EGF towards the costs of the training allowances payable to the participants of the different measures, in order to permit their participation.

16. The administrative expenditure, as described in the application, in accordance with Article 3 of Regulation (EC) No. 1927/2006, covers the various stages of preparation of the applications, management and control activities as well as information and publicity. The latter will include information sessions organised in cooperation with the social partners in the regions concerned.

17. The personalised services as part of the co-ordinated packages presented by the Irish authorities in the application 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 by the Irish authorities at EUR 22,817,000 and the administrative expenditure at EUR 1,000,000 (= 4.4 % of the total amount). The total requested contribution from the EGF is EUR 14,831,050 (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)
Personalised services (first paragraph of Article 3 of Regulation (EC) No 1927/2006)			
FAS Occupational guidance	2,400	100	240,000
FAS Training Programmes	500	2,600	1,300,000

VEC Training Programmes	325	4,200	1,365,000
FAS Training Allowances	500	5,200	2,600,000
In company Internships Training Cost	200	6,760	1,352,000
In company Internships Training Allowance	200	2,600	520,000
Third Level Courses (Level 6)	300	10,000	3,000,000
Back to Education Allowance (BTEA)	300	8,780	2,634,000
Third Level Courses (Level 7)	75	10,000	750,000
Back to Education Allowance (BTEA)	75	8,780	658,500
Third Level Courses (Level 8)	75	10,000	750,000
Back to Education Allowance (BTEA)	75	8,780	658,500
Third Level Courses (Level 9)	50	10,000	500,000
Back to Education Allowance (BTEA)	50	8,780	439,000
Student Maintenance Grant	250	12,000	3,000,000
Enterprise Ireland Entrepreneurship programme	20	2,500	50,000
Campus Enterprise Programme (CORD)	20	30,000	600,000
EI/CEB Entrepreneurship promotion	2,000	50	100,000
EI/CEB Aid for self-employment (grants)	50	20,000	1,000,000
EI Financial Support for Start Ups	20	15,000	300,000
Subtotal personalised services			21,817,000
Technical assistance for implementing EGF (third paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Preparatory			50,000
Management			300,000
Information and publicity			350,000
Control activities			300,000
Total administrative expenditure			1,000,000

Total estimated costs			22,817,000
<i>EGF contribution (65 % of total costs)</i>			<i>14,831,050</i>

18. As regards the complementarity with actions funded by the Structural Funds, Ireland confirms that the measures described above are complementary.

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

19. Personalised services to the affected workers included in the co-ordinated packages proposed for co-financing through the EGF were started by Ireland on 3 February 2009.

This date therefore represents the beginning of the periods of eligibility for any assistance that might be awarded from the EGF.

(i) Procedures followed for consulting the social partners

20. The Irish authorities confirmed that the package of measures has been designed in full consensus with the social partners and that all measures included in the package were supported by the social partners.

21. The Irish authorities confirmed that the requirements laid down in national and Community legislation concerning collective redundancies have been complied with.

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

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

- The Irish authorities confirmed that the financial contribution from the EGF does not replace measures which are the responsibility of companies by virtue of national law or collective agreements.
- The Irish authorities demonstrated that the actions provide support for individual workers and are not to be used for restructuring companies or sectors.
- The Irish authorities confirmed that the eligible actions referred to under points 15 to 17 above do not receive assistance from other Community financial instruments.

23. Management and control systems

Ireland has notified the Commission that the financial contributions will be managed and controlled by the same authorities and bodies charged with the delivery and oversight of European Social Fund (ESF) funding in Ireland. The management authority will thus be the Department of Enterprise, Trade and Employment with a separate certifying authority and auditing authority delegated within the Department.

(h) Conclusion

24. In conclusion, for the reasons set out above, it is proposed to accept application EGF/2009/08 IE/Dell submitted by Ireland, relating to the redundancies in Dell, as evidence has been provided that these redundancies result from major structural changes in world trade patterns, exacerbated by the global economic and financial crisis, which have led to serious economic disruption, affecting employment and the local economy. A co-ordinated package of eligible personalised services has been proposed. Therefore, it is proposed to mobilise the EGF in response to the application from Ireland.

FINANCING

The total annual budget available for the EGF is € 500 million. So far, two cases have been accepted for funding in 2009, amounting to EUR 3,384,300, and a further three cases have been proposed, amounting to EUR 9,693,400, making an aggregated total of EUR 13,077,700.

Article 12(6) of Regulation (EC) No. 1927/2006 states that on 1 September of each year, at least € 125 million should remain available in order to cover the needs arising until the end of the year.

After deduction of the amounts already accepted or proposed for commitment, an amount of EUR 486,922,300 remains available.

- It is proposed to deploy EUR 14,831,050 from the EGF for application EGF/2009/008 IE/Dell.

THE COMMISSION IS THEREFORE INVITED TO:

- approve application EGF/2009/08 IE/Dell submitted by Ireland;
- submit to the budgetary authority a proposal to authorise appropriations corresponding to EUR 14,831,050 as specified in point 17 as well as a request for the transfer of this amount in commitment appropriations to budget line 04.0501 (European Globalisation Adjustment Fund) in accordance with Article 12 (3) of Regulation (EC) No 1927/2006;
- authorise the transfer of an identical amount in payment appropriations from budget line 04.0217 (European Social Fund(ESF) - convergence) to budget line 04.0501 (European Globalisation Adjustment Fund).