**COUNCIL OF
THE EUROPEAN UNION**

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PROPOSAL

from:	Commission
dated:	13 September 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/2012/002 DE/manroland from Germany)

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.

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EUROPEAN COMMISSION

Brussels, 13.9.2012
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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/2012/002 DE/manroland from Germany)

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[1] 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 Fund[2].

On 4 May 2012, Germany submitted application EGF/2012/002 DE/manroland for a financial contribution from the EGF, following redundancies in manroland AG and two of its subsidiaries (hereinafter referred to as "manroland"), as well as one supplier in Germany.

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/2012/002
Member State	Germany
Article 2	(a)
Primary enterprise	manroland AG
Subsidiaries and suppliers	3
Reference period	1.1.2012 – 30.4.2012
Starting date for the personalised services	1.8.2012
Application date	4.5.2012
Redundancies during the reference period	2 239
Redundancies before and after the reference period	45
Total eligible redundancies	2 284
Redundant workers expected to participate in the measures	2 103
Expenditure for personalised services (EUR)	10 305 889
Expenditure for implementing EGF[3] (EUR)	400 000
Expenditure for implementing EGF (%)	3,74
Total budget (EUR)	10 705 889
EGF contribution (50 %) (EUR)	5 352 944

1. The application was presented to the Commission on 4 May 2012 and supplemented by additional information up to 10 July 2012.

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[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.

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.

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, Germany argues that manroland is a printing machinery manufacturer and produces sheetfed offset presses as well as reel-fed offset printing machinery. manroland has long been recognised internationally for its high engineering standards and for manufacturing high-quality products.

4. The printing machinery equipment market is highly internationalised. manroland, together with its German and other European competitors, already operates on a world-wide basis. During recent years, emerging markets such as China, India and South American countries, e.g. Brazil, increased their demand for printing machinery and therefore became important customers for German and other European printing machinery manufacturers. Increasingly, however, they have also become important players in their own right on the supply side of an increasingly global market. Producers China, India, South America, as well as a growing number of competitors from Eastern Europe, the USA and Japan, have all achieved rising market shares during the past decade. As a result, German high-quality producers now face stiff international competition, mostly of lower quality and at lower prices.

5. The trend to internationally more integrated markets is accompanied by permanent structural changes in the use of printing techniques and a higher degree of specialisation of suppliers in some sub-sectors. With a bigger number of international suppliers on the one hand and changing printing techniques on the other, the average producer of printing machinery serves a smaller share of the market. Sales go down, profits sink and employers have to consider redundancies. Over the past few years, manroland followed this pattern in its response to globalisation.

6. The German authorities also mention examples of protectionism in the market for printing machinery. They argue that India has an import duty of 23 % on machinery, and that China, which is the fastest growing market for manufacturing equipment, uses subsidies, allows piracy of products, permits lower or inexistent safety standards at work, little environmental protection, few social norms and no universal social protection. All this contributes to lower costs of production and an uneven playing field for foreign competitors.[4] The current Chinese Five-Year Plan (2011 - 2015) mentions the machinery and equipment sector as one of seven key industries towards which Chinese State funding is targeted. Such practices have helped Chinese producers of printing equipment to approach the high technological standards set by European countries but at labour costs on average 11 per cent lower than the average

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4 Gisela Lanza, Thomas Ender, Dennis Schuler, Stevens Peters (2011), Chancen und Risiken des deutschen Maschinen- und Anlagenbaus in der chinesischen Automobilindustrie, Global Advanced Manufacturing Institute and Karlsruhe Institute of Technology

European labour costs in the machinery sector. Consequently, China has become one of the fiercest international competitors in the sector of printing machinery.[5]

7. Competitors from outside China try to avoid the barrier of import duties by delocalising production to other Asian countries. As a consequence, European printing machinery suppliers (including manroland) have lost significant international market share since the mid-2000s decade. Between 2000 and 2004, the world market share of European producers averaged 67 % but fell to an average of 53 % during the period 2005 to 2011. Imports from non-European suppliers into the EU market for printing machinery grew from 18 % (average of the years 2000 to 2005) to 24 % (average of the years 2006 to 2010).[6]

8. manroland lost 10 % of its market share for reel-fed offset printing equipment during the period of 2005 to 2011. In addition, between 2000 and 2010 the company experienced phases of sharp declines in sales. This development contributed to sinking and negative profits and in the end to the redundancies which gave rise to this application.

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

9. Germany 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.

10. The application cites 2 177 redundancies in manroland AG and 62 in two of its subsidiaries, as well as 45 in one supplier (Gefinal Systema), making it a total of 2 284 redundancies, of which 2 239 occurred during the four-month reference period from 1 January 2012 to 30 April 2012. The redundancies in manroland AG and its subsidiaries were calculated in accordance with the second indent of the second paragraph of Article 2 of Regulation (EC No 1927/2006, while those in Gefinal Systema were calculated in accordance with the first indent of the second paragraph of Article 2 of Regulation (EC) No 1927/2006.

Explanation of the unforeseen nature of those redundancies

11. The German authorities argue that manroland was a world leader in reel-offset printing machinery and had in the past weathered many ups and downs in the business cycle, giving it valuable experience in managing leaner times. It had already agreed pay restraint with its workforce and a gradual reduction of its staffing during 2011 and 2012. Previous losses had been compensated by its owners Allianz Capital Partners and MAN. In the autumn of 2011, the owners refused to make any further payments, leading directly to the insolvency by manroland and the dismissal of a third of its workforce.

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5 European Commission (2011), Study on the Future Opportunities and Challenges of EU-China Trade and Investment Relations. Study 1: Machinery, p. 3.

6 Sources : manroland AG, market research

Identification of the dismissing enterprises and workers targeted for assistance

12. The application relates to 2 284 redundancies of which 2 177 occurred in manroland AG, a further 62 in two of its subsidiaries (manroland Vertrieb und Service GmbH and manroland Vertrieb und Service Deutschland GmbH), and another 45 in the supplier Gefinal Systema (a metal working company). Of these redundancies, 2 103 are targeted for the EGF measures.

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

Category	Number	Percent
Men	1 836	87,30
Women	267	12,70
EU citizens	1 979	96,96
Non EU citizens	62	3,04
15-24 years old	45	2,14
25-54 years old	1 514	71,99
55-64 years old	543	25,82
> 64 years old	1	0,05

14. For the 62 workers from the subsidiary enterprises, there is no break-down available in terms of nationality, hence the percentages in the relevant categories are based on a total of 2 041.

15. Among the targeted workers, there are 142 with long-standing health problems or disabilities.

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

Category	Number	Percent
Legislators, senior officials and managers	15	0,73
Professionals	93	4,56
Technicians and associate professionals	273	13,38
Clerks	167	8,18
Craft and related trade workers	93	4,56
Plant & machine operators & assemblers	1 321	64,72
Elementary occupations	79	3,87

17. For the 62 workers from the subsidiary enterprises, there is no break-down available in terms of occupational categories, hence the percentages in this table are based on a total of 2 041.

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

19. These redundancies concern three rather different regions of Germany. The first is Augsburg (Bavaria), the second Offenbach (Hessen) and the third Plauen (Saxony).

Other neighbouring major towns are also affected by the closure and the redundancies, including Aschaffenburg, Wiesbaden, Darmstadt and Frankfurt / Main.

20. The weakest of these is Plauen, located in the eastern part of Germany, with a small population but a high dependency on social welfare payments. The insolvency of manroland now removes the third largest employer of the area (700 workers prior to the closure) and one of only three that were of a sufficient size to have collective wage agreements with their workers.

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

21. manroland before its insolvency employed 6,500 workers. It was a modern manufacturer of machinery with modern know-how and attractive pay rates. The break-up of this enterprise (with a loss of one third of its workforce) will bring with it a loss of skills, potentially affecting other employers and the regions concerned. Workers finding a new job will have to accept a lower wage level, which will in turn reduce their purchasing power and the cash-flow within the local economy. The three regions will in addition lose one of the most influential employers, with no immediate prospect of an equivalent successor arising in the near future.

22. Many of the workers had been employed by manroland for lengthy periods, and had gained high wage levels as a result of seniority. Because of their age, it will be hard for them to find a new job quickly, and almost impossible to reach the same salary levels again.

23. The table below shows the unemployment rates in the affected areas and their rate of change compared with the same month of the previous year.

Region	Unemployment rate February 2012	Change in unemployment February 2012 / February 2011
Germany	7,9	
Augsburg	5,4	+4,5 %
Offenbach	8,3	+6,7 %
Plauen	11,7	+2,9 %

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

24. The social partners involved in manroland adopted a social plan in January 2012, which includes the establishment of transfer companies for the redundant workers. For Augsburg and Plauen, the co-ordinator is PTG (Projekt- und Trainingsgesellschaft), and its transfer company will run from 1 February 2012 to 31 January 2013. For Offenbach, the transfer company is PRM Personalentwicklungs-gesellschaft, which will run from 1 February 2012 to 31 July 2012, with the possibility of extending its duration.

25. The following measures are proposed :

– Short-time allowance (Transferkurzarbeitergeld): This is a subsistence allowance paid by the public employment services on the basis of the net salary previously earned by the worker. The level is set at 60 % of the former net salary, rising to

67 % if at least one child is resident in the household of the recipient. manroland has undertaken to pay the difference between this amount and 80 % of the former salary. Germany estimates that on average this will be paid to each worker for 6 to 8 months. In the budget for this measure, deduction is made for the allowances used to co-fund the ESF funded training during the initial phase, and further deductions are budgeted for periods during which the workers are not engaged in active labour market policy measures. The allowance will be paid to the 2 001 workers who decided to join the transfer company. The 102 workers expected to participate in the measures, but not in the transfer company, will receive unemployment benefit (not included in the EGF package).

– Training courses leading to qualifications : These courses will be aimed mostly at the former employees of the subsidiaries and the supplier, as the former employees of manroland AG are already well qualified and will be offered more specialised courses to build on their existing qualifications. The trainees will be given the opportunity to choose the most appropriate courses for themselves, building on the initial interview and profiling. Both soft and hard skills will be offered, and certification of existing skills gained through experience on the job will be provided. The duration of courses will vary between 3 and 100 days.

– Workshops and Peer Groups : These will be created in various constellations, e.g. for older workers, for disabled workers, by type of training, etc. as required. Each group will have its own mentor.

– Ancillary measures and international job-search : The programme will provide the redundant workers with the possibility to take a number of tests, including psychological tests, health check-ups, tests of competence. They will be helped to obtain job references and any preventive health measures required by future employers (e.g. vaccinations). Participation in job fairs, language courses, translation of previous qualifications, intercultural training, etc. will be offered as required.

– In-depth start-up advice : Redundant workers wishing to start their own businesses can obtain support for planning, implementing and funding their business ventures. In addition, basic competences in business management, marketing and sales will be conveyed. Individual advice and coaching will be available, as will contacts with networks and various specific experts (lawyers, tax consultants, marketing, banking, etc.)

– Job search : The transfer companies use their contacts with employers in their regions to obtain information on upcoming job vacancies that have not yet been published. It then seeks the most suited candidates from the pool of EGF workers to put them in touch with the potential employers. Should they need to close a gap in their skills, the necessary training will be provided.

– Activation premium : This is to help redundant workers to decide to accept a lower paid job (at least 10 % lower than their previous gross salary). This is a once-only premium, paid at EUR 4 000 at the start of the EGF measures and degressive to EUR 1 000 if taken up towards the end of the implementation phase.

– Coaching and advisory services in a new job and during unemployment : Once a redundant worker has accepted a new job and still requires some support, a coach from the transfer company can continue to provide advice and ensure that the worker can settle in optimally. Those workers who have not found a new job at the time the transfer company ends, will receive further mentoring from the relevant staff, who will also help them to compile their personnel files for future reference.

26. 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. This includes regular meetings with the social partners and other stakeholders, with whom both the necessity of an EGF application and its content was already discussed prior to the application being submitted. Information activities include a web site highlighting the positive effects of the EGF.

27. The personalised services presented by the German authorities are active labour market measures within the eligible actions defined by Article 3 of Regulation (EC) No 1927/2006. The German authorities estimate the total costs at EUR 10 705 889, of which the expenditure for personalised services at EUR 10 305 889 and the expenditure for implementing the EGF at EUR 400 000 (3,74 % of the total amount). The total contribution requested from the EGF is EUR 5 352 944 (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)			
Short-time allowance (*Transferkurzarbeitergeld*)	2 001	2 727,67	5 458 067,67
Training courses leading to qualifications (*Qualifizierungsmassnahmen*)	770	2 293,01	1 765 617,70
Workshops and peer groups	1 453	327,58	475 973,74
Ancillary measures and international job search (*Flankierende und internationale Unterstuetzung*)	1 135	186,01	211 121,35
In-depth start-up advice (*Existenzgruenderberatung*)	60	621,93	37 315,80
Job search (*Stellenresearch*)	1 050	275,19	288 949,50
Activation premium (*Aktivierungszuschuss*)	430	2 709,92	1 165 265,60
Coaching and advisory services in a new job and during unemployment (*Nachbetreuung*)	1 050	860,55	903 577,50
Sub total personalised services			**10 305 889**
Expenditure for implementing EGF (third paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Preparatory activities			20 000
Management			340 000
Information and publicity			20 000
Control activities			20 000
Sub total expenditure for implementing EGF			**400 000**
Total estimated costs			**10 705 889**
EGF contribution (50 % of total costs)			***5 352 944***

28. Germany confirms that the measures described above are complementary with actions funded by the Structural Funds. The early measures taken in support of this group of workers (from 1 February 2012) are being co-funded by the European

Social Fund from its ESF-BA operational programme. There will be a clear demarkation between these measures and those co-funded by the EGF. The German authorities have confirmed that the necessary provisions are in place to prevent any double financing by EU financial instruments.

29. Germany further states in its application that the EGF package is a significant value added over and above what would have been possible with national and ESF funds. This includes more costly types of training, longer courses leading to better qualifications, and a longer period to support the workers than would have been possible for a transfer company in the absence of EGF funding.

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

30. Germany will start the personalised services to the affected workers included in the co-ordinated package proposed for co-financing to the EGF on 1 August 2012. 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

31. The social partners and other stakeholders have been involved in the planning and implementation of this application from the outset. On 16 April 2012, a round table meeting was organised between all stakeholders including the worker representatives, at which the key data of the EGF application were presented and the support of all parties was given. In addition, the various stakeholders decided to collaborate closely in the implementation of the measures.

32. The German 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

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

34. Germany has notified the Commission that the financial contribution will be administered by the same bodies which also administered the previous EGF contributions to Germany -- within the Federal Ministry for Labour and Social

Affairs (Bundesministerium für Arbeit und Soziales) the 'Gruppe Europaïsche Fonds für Beschäftigung – Referat EF 3' will act as managing authority and the 'Organisationseinheit Prüfbehörde' as control authority also for this case.

Financing

35. On the basis of the application from Germany, the proposed contribution from the EGF to the coordinated package of personalised services (including expenditure to implement EGF) is EUR 5 352 944, representing 50 % of the total cost. The Commission's proposed allocation under the Fund is based on the information made available by Germany.

36. 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.

37. 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.

38. By presenting this proposal to mobilise the EGF, the Commission initiates the simplified trialogue 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 trialogue meeting will be convened.

39. 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

40. Appropriations from the EGF budget line will be used to cover the amount of EUR 5 352 944 needed for the present application.

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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/2012/002 DE/manroland from Germany)

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[7], 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[8], and in particular Article 12(3) thereof,

Having regard to the proposal from the European Commission[9],

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) Germany submitted an application to mobilise the EGF, in respect of redundancies in the enterprise manroland AG and two of its subsidiaries, as well as one supplier, on 4 May 2012 and supplemented it by additional information up to 10 July 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 5 352 944.

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

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7 OJ C 139, 14.6.2006, p. 1.
8 OJ L 406, 30.12.2006, p. 1.
9 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 5 352 944 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	*For the Council*
The President	*The President*