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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/2009/019 FR/Renault from France)**

## EXPLANATORY MEMORANDUM

Point 28 of the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management<sup>1</sup> allows for the mobilisation of the European Globalisation Adjustment Fund (EGF) 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<sup>2</sup>.

On 9 October 2009, France submitted application EGF/2009/019 FR/Renault for a financial contribution from the EGF, following redundancies in Renault s.a.s. and seven of its subsidiaries in France.

After a thorough examination of this application, the Commission has concluded in accordance with Article 10 of Regulation (EC) No 1927/2006 that the conditions for a financial contribution under this Regulation are met.

### SUMMARY OF THE APPLICATION AND ANALYSIS

<b>Key data:</b>	
EGF Reference no.	EGF/2009/019
Member State	France
Article 2	(a)
Primary enterprise	Renault s.a.s.
Suppliers and downstream producers	7
Reference period	1.4.2009 – 31.7.2009
Starting date for the personalised services	15.10.2008
Application date	9.10.2009
Redundancies during the reference period	1 384
Redundancies before and after the reference period	3 061
Total eligible redundancies	4 445
Redundant workers targeted for support	3 582
Expenditure for personalised services (EUR)	37 628 780
Expenditure for implementing EGF <sup>3</sup> (EUR)	53 566
Expenditure for implementing EGF (%)	0,14
Total budget (EUR)	37 682 346
EGF contribution (65 %) (EUR)	24 493 525

1. The application was presented to the Commission on 9 October 2009 and supplemented by additional information up to 10 February 2011.
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.

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

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

<sup>3</sup> 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 or the global financial and economic crisis**

3. In order to establish the link between the redundancies and the global financial and economic crisis, France argues that Renault suffered from the increasing cost of credit and the hardening of credit conditions from 2008 onwards, which seriously affected the ability of the enterprise to fund its own activities in the short term as well as its investment plans or the future. Thus, the interest rate with which Renault could theoretically fund itself for five years<sup>4</sup> rose from 5,60 % in January 2008 to more than 14,50 % in October of the same year. At the same time, consumers also felt the tightening of credit and the effects of the global financial and economic crisis, leading to anxiety about job security and the postponement of vehicle purchases. Despite the temporary measures introduced by some Member States (e.g. scrappage schemes), registrations of new Renault cars in Europe dropped by 6,5 % between 2007 and 2008. This downward tendency accelerated during the fourth quarter of 2008, when new registrations dropped from -15,2 % in October 2008 to -27,5 % in December 2008 compared with the same period of 2007.
4. The Commission has already recognised in response to previous applications concerning the automotive sector that the financial crisis at the origin of the economic slow-down affected this sector particularly seriously, since 60 to 80 % (varying from one Member State to another) of new vehicles sold in Europe are bought on credit<sup>5</sup>. During the second quarter of 2009, the total number of vehicles constructed in the European Union was 39,5 % lower than that recorded a year earlier. The crisis weighed heavily on the major car manufacturers in Europe and their suppliers<sup>6</sup>.

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

5. France 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.
6. The application cites 1 384 redundancies in Renault s.a.s. and six suppliers during the four-month reference period from 1 April 2009 to 31 July 2009 and a further 3 061 redundancies in Renault s.a.s. and seven suppliers outside the reference period, but included in the same voluntary redundancy plan. All of these redundancies were calculated in accordance with the first indent of the second paragraph of Article 2 of Regulation (EC) No 1927/2006.

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<sup>4</sup> This theoretical interest rate is composed of the interest rate on the premium against payment default -- CDS, i.e. Credit Default Swap -- of a credit to Renault plus the interest on a risk free loan, both for two to five years.

<sup>5</sup> COM(2009)104 of 25.2.20096, "Responding to the crisis in the European automotive industry".

<sup>6</sup> Directorate General for Enterprise and Industry: "Impact of the economic crisis on the manufacturing and construction industries - April 2009 update"

([http://ec.europa.eu/enterprise/newsroom/cf/itemshorthead.cfm?&tpa\\_id=0&item\\_id=3437](http://ec.europa.eu/enterprise/newsroom/cf/itemshorthead.cfm?&tpa_id=0&item_id=3437)).

### Explanation of the unforeseen nature of those redundancies

7. The French authorities argue that the global financial crisis led to a sudden collapse of the world economy, with serious effects for many sectors. Since the second half of 2008, the economic situation has developed very differently from the gradual decline known in previous business cycles, for which enterprises could have prepared themselves.

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

8. The application relates to 1 384 redundancies in Renault and seven of its suppliers.

Name of the entreprise	Number of redundancies during the reference period
Renault s.a.s.	1 333
ALPINE	7
Fonderie de Normandie	12
MCA Maubeuge construction auto	15
RST	3
STA Société de transmission auto	7
SOFRASTOCK	7
SOVAB	0
<b>Total</b>	<b>1 384</b>

As provided for by Article 3a(b) of Regulation (EC) No 1927/2006, a further 2 198 workers made redundant by the same eight enterprises before and after the reference period, as a result of the same plan for voluntary redundancies, are targeted for support in addition to the workers dismissed during the reference period. The total number of workers to benefit from the co-funded package of personalised services is therefore 3 582.

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

Category	Number	Percent
Men	2 987	83,4
Women	595	16,6
EU citizens	3 468	96,8
Non EU citizens	114	3,2
15-24 years old	4	0,1
25-54 years old	999	27,9
55-64 years old	2 579	72,0
> 64 years old	0	0,0

10. Amongst the targeted workers are included 422 (11,8 %) suffering from a longstanding health problem or a disability.

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

Category	Number	Percent
Senior executives (" <i>Cadres supérieurs</i> ")	69	1,9
Middle-ranking executives (" <i>Cadres</i> ")	878	24,5
Employees, technicians and supervisors	1 579	44,1

("Employés, techniciens et agents de maîtrise" or "ETAM")		
Workers ("Ouvriers")	1 056	29,5

12. In accordance with Article 7 of Regulation (EC) No 1927/2006, France has confirmed that a policy of equality between women and men as well as non-discrimination has been applied, and will continue to apply, during the various stages of the implementation of and, in particular, in access to the EGF.

### **Description of the territory concerned and its authorities and stakeholders**

13. The redundancies covered in this application occurred mainly in three regions of France : the Ile-de-France (53 %), the Haute-Normandie (29,5 %) and the Nord-Pas-de-Calais (12,5 %).
14. The responsible authorities in the affected areas are the Préfet of the relevant Department and the Departmental Directors for Employment and Vocational Training (directeur départemental du travail, de l'emploi et de la formation professionnelle). Renault itself will be a major stakeholder, and will be co-ordinating the scheme.

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

15. In the Ile-de-France, the redundancies occur mainly in the plant of Guyancourt Aubevoie (941) and the headquarters of the company (448). As this concerns the region of Paris, unemployment levels are relatively low (4,7 % and 5,9 % respectively) and employment levels as a whole are rising (by respectively 3,6 % and 5,2 % between 2003 and 2007), while manufacturing employment is declining (respectively by 3,9 % and 15,2 % over the same period).

In the Haute-Normandie, the redundancies occur in Cléon (334) near Rouen and Sandouville (887) near Le Havre. The latter region in particular has been suffering industrial decline (a drop in industrial employment by 8,9 % between 2003 and 2007) and thus offers fewer opportunities to the redundant workers.

In the Nord-Pas-de-Calais, the redundancies occur mainly in Douai (306) and Maubeuge (153). These are located in zones of already high unemployment (13,8 % and 15,5 % as opposed to the national unemployment rate of 9,1 %). These zones have been suffering a decline in industrial employment (by respectively 9,1 % and 13,9 % between 2003 and 2007).

16. As Renault employs more than 1 000 workers, it is obliged to contribute to the revitalisation of these regions under Article L1233-84 of the Code du Travail. This means that the Renault Group will contribute to the creation of new activities and jobs so as to alleviate the impact of the dismissals in these regions.

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

17. The "Projet Renault Volontariat", which is the object of this EGF application from France, aims to support the 4 445 workers who volunteered to leave the company and specifically the 3 582 targeted workers.

Until 30 April 2009, each of the participating workers could opt for:

- (1) a "projet professionnel ou personnel", or
- (2) a "congé de reclassement", or
- (3) early retirement, or
- (4) help to return to their country of origin.

The EGF application only concerns the first two of these provisions.

The projet professionnel ou personnel is for those workers who already know what they wish to do, have a future sector or employer in mind and need some transitional help (e.g. advice, training, etc.) to reach their aim. The congé de reclassement is for those workers who do not yet have a specific objective and are willing to spend a period of up to or even beyond nine months being retrained and being helped with advice and guidance. Both schemes may also include the creation of a new business by the redundant worker. Each worker has to decide which of these two schemes to enter - they cannot be combined by any one worker.

Of the workers targeted in the application, 2 910 opted in favour of the congé de reclassement and 679 for the projet professionnel ou personnel. The difference between this total of 3 589 workers budgeted for and the 3 582 workers finally participating, lies in the fact that seven workers passed away after the start of the measures.

In the case of the congé de reclassement (article L1233-71 of the Code du Travail), an employer of more than 1 000 persons is obliged to offer the measures there defined for a period which may vary between a minimum of four and a maximum of nine months. Pursuant to the above mentioned law, months five to nine of this period are therefore optional and can be eligible for an EGF contribution in accordance with Article 6(1) of the EGF Regulation. Renault decided to offer these measures for up to nine months, depending on the worker's occupation, seniority and site. The application does not contain any expenditure on the congé de reclassement for the first four months of the scheme, which is the minimum laid down by the law, and also excludes all periods when the workers are still covered by their notices of dismissal.

18. The following measures are proposed, all of which combine to form a coordinated package of personalised services aimed at re-integrating the 3 582 targeted workers into employment.

- Advisory services for workers who opted for a projet professionnel ou personnel ("Cellule de reclassement pour projet professionnel ou personnel"): These advisory services are at the disposal of the relevant group of workers, providing

guidance on job search and available training, access to the training itself, and advice on business start-up (search for funding, help with a business plan, introduction to management, etc.).

- Advisory services for workers who opted for the congé de reclassement ("Cellule de reclassement pour congé de reclassement"): These advisory services are at the disposal of the relevant group of workers, providing guidance on job search and available training, access to the training itself, and advice on business start-up (search for funding, help with a business plan, introduction to management, etc.). The 24 teams of advisers active in the Renault sites and those of the suppliers concerned, combine services to both groups of workers.
- Training for workers who opted for a projet professionnel ou personnel ("Formation pour projet professionnel ou personnel"): The training measures are varied according to the plans of the redundant workers.
- Training for workers who opted for the congé de reclassement ("Formation pour congé de reclassement"): The training measures are varied according to the plans of the redundant workers and may even extend beyond the nine months of the congé de reclassement if they are included in the training pathway agreed with the cellule de reclassement.
- Allowance provided under the congé de reclassement ("Allocation de congé de reclassement"): This allowance is paid on a monthly basis until the end of the congé de reclassement. It amounts to 65 % of the workers' former salary, except for those who worked for the Renault site located in Sandouville. The latter benefit from an allowance equal to 100 % of their former salary for a duration of six months (minus their respective periods of notice), then 65 % until the end of their congé de reclassement. This allowance will be paid at a rate of EUR 8 988 to the 2 689 workers made redundant by Renault and EUR 6 189 to the 231 workers made redundant by the suppliers, making for an average of EUR 8 765,40. It is calculated on the assumption that the workers are occupied on a full-time basis in active labour market policy measures; should this not be the case, the allowance will be paid by the EGF on a pro rata basis for each worker.
- Support for business creation ("Aide à la création d'entreprise"): This measure is provided both under the projet professionnel ou personnel and the congé de reclassement. It can grant up to EUR 12 000 for investments per business created, together with EUR 1 500 for interest on loans and up to EUR 500 for registration fees. A further EUR 3 000 can be paid for the recruitment of a worker from among the group of targeted workers of this application.

19. 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 activities as well as information and publicity. The French authorities explained that the low level of expenditure provided under these headings and the zero rating of management and control measures were due to the fact that they did not price activities which they were in any case obliged to carry out as part of the management of the State.

The information activities proposed by France include the distribution of the Commission's EGF leaflet to the local stakeholders and for placement on notice boards at the production sites. This activity will aim at the active workers there, and will not include the redundant workers who will already have benefited from the EGF support.

The French proposal also includes a press release upon adoption of the EGF support and a mention on the relevant Ministry web site.

20. The personalised services presented by the French authorities are active labour market measures within the eligible actions defined by Article 3 of Regulation (EC) No 1927/2006. The French authorities estimate the total costs of these services at EUR 37 628 780 and the expenditure for implementing the EGF at EUR 53 566 (0,14 % of the total amount). The total contribution requested from the EGF is EUR 24 493 525 (65 % of the total costs).



Actions	Estimated number of workers targeted	Estimated cost per worker targeted (EUR)	Total costs (EGF and national cofinancing) (EUR)
<b>Personalised services</b> (first paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Advisory services for workers who opted for a project professionnel ou personnel (" <i>Cellule de reclassement pour projet professionnel ou personnel</i> ")	679	1 981,58	1 345 491
Advisory services for workers who opted for the congé de reclassement (" <i>Cellule de reclassement pour congé de reclassement</i> ")	2 910	1 880,90	5 473 413
Training for workers who opted for a projet professionnel ou personnel (" <i>Formation pour projet professionnel ou personnel</i> ")	88	1 430,25	125 862
Training for workers who opted for the congé de reclassement (" <i>Formation pour congé de reclassement</i> ")	2 299	711,34	1 635 377
Allowance provided under the congé de reclassement (" <i>Allocation de congé de reclassement</i> ")	2 910	8 765,40	25 507 307
Support for business creation (" <i>Aide à la création d'entreprise</i> ")	332	10 666,65	3 541 328
<b>Sub total personalised services</b>			<b>37 628 780</b>
<b>Expenditure for implementing EGF</b> (third paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Preparatory activities			51 566
Information and publicity			2 000
<b>Sub total expenditure for implementing EGF</b>			<b>53 566</b>
<b>Total estimated costs</b>			<b>37 682 346</b>
<b>EGF contribution (65 % of total costs)</b>			<b>24 493 525</b>

\* The totals in each line are averages calculated from the figures used for Renault itself and the seven suppliers; they do not entirely tally due to rounding.

21. France confirms that the measures described above are complementary with actions funded by the Structural Funds and that, as they benefit from no other EU or French public support, double funding is excluded. An agreement to be concluded between the French State and Renault will confirm the obligation to ensure the absence of double funding.

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

22. France started the personalised services to the affected workers included in the co-ordinated package proposed for co-financing to the EGF on 15 October 2008, date when the guidance of the workers included in the plan started. 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**

23. On 9 September 2008, the Comité Central d'Entreprise of Renault was informed and consulted on the "Projet Renault Volontariat" (PRV), the subject of this application from France, and made its observations on the plan. Two meetings with the trade union organisations were held to develop the measures included in the PRV. The Comité Central was informed and consulted once more on 3 October 2008 on the measures for the plants.

Following this phase, the Comités d'Etablissement of Renault were informed and consulted on 6 and 7 October 2008, following which the plan was put into effect on the various sites.

In parallel, the information and consultation of the Comité d'Entreprise of the suppliers included in this application took place.

24. The French 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**

25. As regards the criteria contained in Article 6 of Regulation (EC) No 1927/2006, the French 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**

26. France has notified the Commission that the financial contribution will be managed by the Mission du Fonds National de l'Emploi (FNE) within the Délégation générale à l'emploi et à la formation professionnelle (DGEFP) in the Ministry for the Economy, Industry and Employment. The payments will be managed by the Mission du Financement, du Budget et du Dialogue de Gestion (MFBDG) within the Département Financement, Dialogue et Contrôle de Gestion of the same ministry. Audits and controls will be carried out by the Mission Organisation des Contrôles (MOC) within the Sous-Direction Politiques de Formation et du Contrôle of the same Ministry. Certification will be provided by the Pôle de Certification of the Direction Générale des Finances.

## **Financing**

27. On the basis of the application from France, the proposed contribution from the EGF to the coordinated package of personalised services is EUR 24 493 525 (including expenditure to implement EGF), representing 65 % of the total cost. The Commission's proposed allocation under the Fund is based on the information made available by France.
28. 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.
29. 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.
30. 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.
31. The Commission presents separately a transfer request in order to enter in the 2011 budget specific commitment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.

## **Source of payment appropriations**

32. The remaining amount of payment appropriations initially entered on the budget line 04.0501 after adoption by both arms of the budgetary authority of the proposals

submitted to date for mobilising the EGF is EUR 808 079 and is therefore not sufficient to cover the amount of EUR 24 493 525 needed for the present application.

As a reinforcement of the EGF budget line 04.0501 by EUR 50 000 000 is foreseen through AB2/2011, this budget line will be used to cover the amount of EUR 24 493 525 needed for the present application.

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THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management<sup>7</sup>, and in particular point 28 thereof,

Having regard to Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 establishing the European Globalisation Adjustment Fund<sup>8</sup>, and in particular Article 12(3) thereof,

Having regard to the proposal from the European Commission<sup>9</sup>,

Whereas:

- (1) The European Globalisation Adjustment Fund (EGF) was established to provide additional support for workers made redundant as a result of major structural changes in world trade patterns due to globalisation and to assist them with their reintegration into the labour market.
- (2) The scope of the EGF was broadened for applications submitted from 1 May 2009 to include support for workers made redundant as a direct result of the global financial and economic crisis.
- (3) The Interinstitutional Agreement of 17 May 2006 allows the mobilisation of the EGF within the annual ceiling of EUR 500 million.
- (4) France submitted an application to mobilise the EGF, in respect of redundancies in the enterprise Renault s.a.s. and seven of its suppliers, on 9 October 2009 and supplemented it by additional information up to 25 January 2011. This application complies with the requirements for determining the financial contributions as laid

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<sup>7</sup> OJ C 139, 14.6.2006, p. 1.

<sup>8</sup> OJ L 406, 30.12.2006, p. 1.

<sup>9</sup> OJ C [...], [...], p. [...].

down in Article 10 of Regulation (EC) No 1927/2006. The Commission, therefore, proposes to mobilise an amount of EUR 24 493 525.

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

HAVE ADOPTED THIS DECISION:

*Article 1*

For the general budget of the European Union for the financial year 2011, the European Globalisation Adjustment Fund (EGF) shall be mobilised to provide the sum of EUR 24 493 525 in commitment and payment appropriations.

*Article 2*

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

Done at [Brussels/Strasbourg],

*For the European Parliament*  
*The President*

*For the Council*  
*The President*