



EUROPEAN COMMISSION

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Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on 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/2010/015 FR/Peugeot 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 management¹ allows for the mobilisation of the European Globalisation Adjustment Fund (EGF) through a flexibility mechanism, within the annual ceiling of EUR 500 million over and above the relevant headings of the financial framework.

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

On 5 May 2010, France submitted application EGF/2010/015 FR/Peugeot for a financial contribution from the EGF, following redundancies at two branches of the group PSA Peugeot Citroën (Peugeot Citroën Automobiles and Sevelnord) 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 AND ANALYSIS OF THE APPLICATION

Key data:	
FEM Reference no.	EGF/2010/015
Member State	France
Article 2	a)
Primary enterprise	PSA Peugeot Citroën
Suppliers and downstream operators	0
Reference period	1.11.2009 – 28.2.2010
Starting date for the personalised services	1.1.2009
Application date	5.5.2010
Redundancies during the reference period	649
Redundancies before and after the reference period	1 440
Total eligible redundancies	2 089
Redundant workers targeted for support	2 089
Expenditure for personalised services (EUR)	18 352 056
Expenditure for implementing EGF ³ (EUR)	32 047
Expenditure for implementing EGF (%)	0,17
Total budget (EUR)	18 384 103
EGF contribution (65%) (EUR)	11 949 666

1. The application was presented to the Commission on 5 May 2010 and supplemented by additional information up to 13 April 2012.
2. The application meets the conditions for deploying the EGF as set out in Article 2(a) of Regulation (EC) No 1927/2006, and was submitted within the deadline of 10 weeks referred to in Article 5 of that Regulation.

¹ OJ C 139, 14.6.2006, p. 1.

² OJ L 406, 30.12.2006, p.1.

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

Link between the redundancies and major structural changes in world trade patterns due to globalisation, or between the redundancies and the financial and economic crisis

3. In order to establish the link between the redundancies and the global financial and economic crisis, France argues that the increasingly bleak growth prospects and the tougher credit conditions the crisis has caused have given rise to fears among private individuals concerning the safety of their jobs and have led them to postpone purchasing a vehicle. At the same time, given the deterioration in the economic situation, companies have on the whole also cut down on investments and, consequently, on renewals of their fleet of vehicles. Thus, despite the temporary measures introduced by some Member States (for example, scrapping programmes), the European vehicle market – particularly in Western Europe, which is the largest market for the group PSA Peugeot Citroën⁴ – collapsed suddenly in the second half of 2008, with a 10.7% decrease in registrations of light passenger and commercial vehicles in Europe (18 Western European countries) in the third quarter and a 17% decrease in the fourth quarter of 2008, in relation to the same period over the previous year. The fall in the sales of vehicles due to the global financial and economic crisis has directly affected the economic results of the PSA Peugeot Citroën group, which registered a loss of EUR 344 million over the year 2008, whereas it was still making a profit (EUR 731 million) at the end of the first half of that year.

In order to overcome this economic crisis, the PSA Peugeot Citroën group first dramatically reduced the use of temporary labour and introduced temporary measures (e.g.: annualisation of working time, part-time unemployment) in order to reduce production while keeping its employees in a job. When it appeared that these arrangements would not be enough to allow it to cope with the drop in vehicle sales, PSA Peugeot Citroën chose to launch a call for voluntary redundancies.

4. Furthermore, in response to previous applications concerning the motor vehicle industry^{5 6}, the Commission has already recognised that the industry had been particularly hard hit by the financial crisis at the root of the economic slowdown, since 60 to 80% (depending on the Member State) of new vehicles sold in Europe are bought on credit⁷. In the second quarter of 2009, there was a 39.5% decrease in the total number of vehicles manufactured in the European Union, compared with the previous year. The crisis had a severe impact on the major European car manufacturers and their suppliers⁸.

⁴ The European market in the broad sense (30 countries) accounts for 74% of Peugeot sales and 80% of Citroën sales.

⁵ COM(2011) 664 of 13.10.11, Proposal for a Decision of the European Parliament and of the Council on the mobilisation of the European Globalisation Adjustment Fund (application EGF/2011/005 PT/Norte-Centro Automotive from Portugal).

⁶ COM(2011) 420 of 11 July 2011, Proposal for a Decision of the European Parliament and of the Council on the mobilisation of the European Globalisation Adjustment Fund (application EGF/2009/019 FR/Renault from France).

⁷ COM(2009) 104 of 25 February 2009, "Responding to the crisis in the European automotive industry".

⁸ 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/itemshortdetail.cfm?lang=fr&tpa_id=0&item_id=3437).

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

5. France submitted this application under the intervention criterion of Article 2(a) of Regulation (EC) No 1927/2006, which makes a contribution from the EGT subject to at least 500 redundancies over a four-month period in an enterprise in a Member State, including workers made redundant by its suppliers and downstream producers.
6. The application cites 649 redundancies in PSA Peugeot Citroën over the four-month reference period between 1 November 2009 and 28 February 2010. The application also cites 1 440 other redundancies resulting from the same redundancy plan based on voluntary departures, also in PSA Peugeot Citroën, but outside the reference period. 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.

Explanation of the unforeseen nature of those redundancies

7. The French authorities state that the international financial crisis has led to a sudden collapse in prospects for vehicle production by PSA Peugeot Citroën. The group had thus registered an acceleration in the growth of its sales in 2007 (1.7% in the first half of the year and 6.2% in the second, compared with the same period in the previous year). It therefore expected a comparable positive trend in 2008. However, the unexpected global financial and economic crisis and its repercussions completely extinguished group's prospects, with no time for it to prepare for this.

Identification of the dismissing businesses and workers targeted for assistance

8. The application covers 649 redundancies in two branches of PSA Peugeot Citroën (Peugeot Citroën Automobiles and Sevelnord).

Name of the businesses	Number of redundancies during the reference period
Peugeot Citroën Automobiles	630
Sevelnord	19
Total	649

In accordance with Article 3(a)(b) of Regulation (EC) No 1927/2006, in addition to the workers made redundant during the reference period, 1 440 workers made redundant by the same companies before and after the period in question following the same redundancy plan based on voluntary departures are targeted for assistance. The total number of workers who can benefit from the coordinated package of personalised services thus amounts to 2 089.

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

Category	Number	Percentage
Male	1 623	77.69
Female	466	22.31
EU citizens	2 028	97.08
Nationals of third countries	61	2.92
15-24 years	13	0.62
25-54 years	1 208	57.83
55-64 years	868	41.55

> 64 years old	0	0.00
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10. Among the workers in question, 108 (5.2%) suffer from a health problem or a long-term disability.

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

Category	Number	Percentage
Senior managers	344	16.47
Employees, technicians and supervisors (ETAM)	494	23.65
Workers	1 251	59.89

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 targeted by this application affect ten regions in France, most of which are situated in the northern half of the territory. However, these voluntary departures affect more specifically Brittany (32% of voluntary redundancies), Ile-de-France (25%) and Franche-Comté (13%).

14. The competent authority is the Ministry of Labour, Employment and Health, and in particular the General Delegation for Employment and Vocational Training. The other local stakeholders are the Directors-General for Enterprises, Competition, Consumer Affairs, Labour and Employment and their territorial units. PSA Peugeot Citroën itself is also a major player and will coordinate the measures.

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

15. PSA Peugeot Citroën's voluntary redundancy plan mainly affects the following four French regions, by order of importance:

- Brittany (1 473 redundancies): the Rennes site is located in an employment zone with an unemployment rate which is lower than the national average (7% and 9.3% respectively in 2011), but where PSA Peugeot Citroën is the main employer;
- Franche-Comté (803 redundancies): the Sochaux and Vesoul sites are located in an employment zone with an unemployment rate (12.2% in 2011) which is significantly higher than the national average. This territory, which has historically been a location for industry in general and the vehicle industry in particular, has been severely affected by the economic crisis;
- Île-de-France (515 targeted workers): the Île-de-France sites are located in an employment zone where the unemployment level (8.4% in 2011) tends to be lower than that of metropolitan France, but where employment in the industrial sector is dwindling faster than in other French regions. For instance, between

1999 and 2008, industrial jobs in Île-de-France fell by 2.5% per year on average, compared with 1.4% in the rest of France⁹;

- Alsace (428 redundancies): the Mulhouse site is located in an employment zone which is highly affected by unemployment (11.5% in 2011). This territory is suffering from a rapid decline in industrial employment (- 4.7% between 2003 and 2007). PSA Peugeot Citroën is the main employer in the region;
 - Lorraine (400 redundancies): the Metz and Tremery sites are located in an employment zone whose unemployment level (10.5% in 2011) is higher than the national average. This territory revolves essentially around the tertiary sector, but is affected by the persistent decline in industrial employment (- 1.76% between 2003 and 2007). With its two sites, PSA Peugeot Citroën is the biggest private employer in the region.
16. PSA Peugeot Citroën's voluntary redundancies plan has also affected, albeit to a lesser extent, the regions of Nord/Pas-de-Calais (142 workers targeted), Picardy (50 workers targeted), Lower Normandy (37 workers targeted), Auvergne (16 workers targeted) and the Centre (3 workers targeted).
17. With more than one thousand workers, the subsidiary Peugeot Citroën Automobiles of the group PSA Peugeot Citroën is required to contribute to the revitalisation of these regions, pursuant to Article L1233-84 of the Labour Code. This means that the company will contribute to the creation of new activities and new jobs, so as to attenuate the effects of redundancies 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

18. The aim of the voluntary redundancy plan launched by PSA Peugeot Citroën on 1 January 2009 was to help the 5 100 workers covered by this plan. Until 31 March 2010, each of these workers could choose one of the following options:
- 1) The professional or personal project: this project is intended for workers who already have plans for redeployment (e.g. those who already have a prospective future sector of professional activity or employer), but who need temporary support (from one to three months) in order to achieve this objective. This support takes the form in particular of advice, training or assistance to set up or take over a company. One hundred and thirteen workers have opted for the professional or personal project;
 - 2) Le "congé de reclassement" (redeployment leave): this measure is for workers who do not yet have any precise plans for redeployment at the time of their voluntary departure and who wish to benefit, over a period which can extend to nine months, from retraining measures, advice, guidance or

⁹ "Industrie francilienne: des emplois plus qualifiés et moins industriels" ("Industry in Île-de-France: more qualified and less industrial jobs", INSEE, December 2011, http://www.insee.fr/fr/insee_regions/idf/themes/alapage/alap378/alap378.pdf)

assistance to set up or take over a business. One thousand one hundred and sixty-nine workers chose the placement leave;

- 3) Setting up or taking over a business: this measure is for workers whose plans for redeployment involve setting up or taking over a business, without them needing any support in the process. Six hundred and seven workers have chosen to set up or take over a business;
- 4) Voluntary retirement;
- 5) Assistance upon return to country of origin;
- 6) Support for internal mobility;
- 7) Support for extended leave.

The purpose of the application for an EGF contribution is to help a total of 2 089 workers who have opted for the first three measures described above, i.e. the professional or personal project (113 workers), the redeployment leave (1 369 workers) and setting up or taking over a business (607 workers).

As regards the redeployment leave, Article L1233-71 of the Labour Code provides that a company which employs more than one thousand people is required to propose the measures set out therein for a minimum duration of four months and a maximum duration of nine months. According to the above-mentioned legislation, the period between the fifth and ninth month is therefore optional and may be subject to a contribution from the EGF in accordance with Article 6(1) of the Regulation creating the Fund. PSA Peugeot Citroën has decided to propose this measure for a maximum period of nine months, depending on the post occupied by the worker, his/her seniority and place of employment. The application does not provide for any contributions for "*congé de reclassement*" for the first four months of the programme, which correspond to the minimum duration stipulated by law, and also excludes all the periods during which workers are still covered by their redundancy notice period.

19. The proposed measures are set out below. Together, they constitute a coordinated package of personalised services intended to allow the professional reintegration of the 2 089 workers concerned.
 - Employment Mobility Units: These units, of which there are 24, give guidance on jobseeking and training, offer access to actual training courses and provide advice on setting up businesses (e.g. finding financing, drafting a development plan, introduction to management, etc.). The units are made up of PSA Peugeot Citroën employees, supported by external staff from consultancy practices. Their activities are coordinated and run by a central unit. They offer their services to all the employees for which EGF support is intended.
 - Training for the "*congé de reclassement*": Workers who have opted for the *congé de reclassement* receive training which is tailored to their needs, as identified by the Employment Mobility Unit (e.g. IT support, English lessons, etc.). These training courses may be longer than the nine months of *congé de reclassement*

provided for if they are part of the training pathway adopted with the redeployment unit.

- Training for the professional or personal project: Workers who have opted for the professional or personal project receive training tailored to their plans (e.g. carpentry, ergonomic methodology, decorative painting, etc.).
- Training for setting up or taking over a business: Workers who have chosen to set up or take over a business receive training tailored to their plans (e.g. accounting support, business management training, etc.).
- Allowance provided under the *congé de reclassement*: this monthly allowance, paid until the end of the *congé de reclassement*, amounts to 65% of the worker's last salary. This amount is calculated based on the assumption of the workers' full-time participation in active labour market measures; if participation is to a lesser extent, the EGF will pay workers an allowance which is proportionate to their actual participation.
- Support for setting up a business: this measure is offered to both workers who opt for the professional or personal project and those who choose the *congé de reclassement*. Depending on the needs of the workers concerned, it comprises:
 - a EUR 6 000 premium paid in two instalments (the first half upon presentation of proof of setting up or taking over a business; the balance upon presentation of evidence that the company is still engaged in real activity six months after its registration);
 - a local employment allowance of EUR 2 000, paid if the business creation or takeover takes place in the job catchment area of the initial place of assignment of the employee who has left PSA Peugeot Citroën;
 - a job support allowance of EUR 1 000 per full-time job created, for a maximum of two jobs created;
 - a zero-rate reimbursable loan of EUR 15 000. The cost of this measure alone is estimated to be EUR 2 900. It corresponds to the application fees and interest for the loan as passed on to the company by the credit establishment concerned.

20. 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, information and publicity and control measures.

The information activities proposed by France comprise the publication of a number of articles on the application for an EGF contribution in the media of the PSA Peugeot Citroën group and on the human resources intranet, as well as the provision of posters to advertise the Fund in the group's establishments. Furthermore, posters and leaflets produced by the Commission concerning the EGF support have been disseminated to the local information points and within the Employment Mobility Units. France's proposal also provides for an external communication following approval of the application by the Commission.

Furthermore, the French authorities have explained that only modest amounts were provided for the management control measures because they had not counted the activities which they were in any case obliged to perform in the general running of the State.

21. The personalised services presented by the French authorities are active labour market measures coming under the eligible actions defined by Article 3 of Regulation (EC) No 1927/2006. The French authorities evaluate the total cost of these services at EUR 18 352 056 and the expenditure for implementing the EGF at EUR 32 047 (0.17% of the total amount). The total contribution requested from the EGF is EUR 11 949 666 (65% of the total costs).

Actions	Estimated number of workers targeted	Estimated cost per worker targeted (EUR)	Total costs (EGF and national cofinancing) (EUR) ¹⁰
Personalised services (Article 3(1) of Regulation (EC) No 1927/2006)			
Employment Mobility Units:	2 089	981.43	2 050 206
Training for <i>congé de reclassement</i>	700	3 684.59	2 579 213
Training for the professional or personal project	68	3 131.38	212 934
Training for setting up or taking over a business	304	3 634.12	1 104 773
Allowance provided under the <i>congé de reclassement</i>	1 080	5 105.18	5 513 593
Support for setting up a business	924	7 458.16	6 891 337
Sub total for "personalised services"			18 352 056
Expenditure for implementing the EGF (Article 3(3) of Regulation (EC) No 1927/2006)			
Preparation and monitoring			17 047
Organisation, monitoring and traceability of the data			15 000
Sub-total of expenditure for implementing the EGF			32 047
Total estimated costs			18 384 103
EGF contribution (65% of total cost)			11 949 666

22. France confirms the complementarity of the measures described above with the actions financed by the Structural Funds and guarantees the absence of double financing, since they are not eligible for any other aid from either the European Union or the French State. An agreement between the French State and PSA Peugeot Citroën confirms the obligation to guarantee the absence of double financing.

¹⁰ The totals do not tally since they have been rounded up.

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

23. France started to provide the workers concerned with the personalised services included in the coordinated package proposed for cofinancing by the EGF on 1 January 2009, the date on which these workers started to benefit from all the measures set out in the voluntary redundancy plan. This date therefore represents the beginning of the period of eligibility for any assistance which might be awarded under the EGF.

Procedures for consulting the social partners

24. On 2 December 2008, the Central Works Council held an extraordinary meeting in order to discuss the planned call for voluntary departures envisaged by PSA Peugeot Citroën. The Central Works Council then met on several occasions in the course of 2009, in particular in order to assess the implementation of this call and its outcome. The application for a contribution from the EGF was announced at an extraordinary meeting of the Central Works Council on 20 April 2010. Furthermore, the trade unions have been kept regularly informed about the measures taken.
25. 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

26. 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

27. France informed the Commission that the financial contribution would be managed by the *Mission du Fonds national de l'emploi* (FNE, National Employment Fund) within the *Délégation générale à l'emploi et à la formation professionnelle* (DGEFP, General Delegation for Employment and Vocational Training) of the Ministry of Labour, Employment and Health. The payments will be managed by the *Mission du Financement, du Budget et du Dialogue de Gestion* (MFBDG, Mission for Financing, Budget and Management Dialogue) within the Department for Financing, Dialogue and Management Control of the same Ministry. Audits and controls will be carried out by the *Mission Organisation des Contrôles* (MOC, Mission for the Organisation of Controls) within the *Sous-Direction Politiques de Formation et du Contrôle* (Subdirectorate for Training and Monitoring Policies) of the same Ministry.

Certification will be provided by the *Pôle de Certification* (Certification Centre) of the Directorate-General for Finances.

Funding

28. On the basis of the application from France, the proposed contribution from the EGF to the coordinated package of personalised services (including expenditure to implement the EGF) is EUR 11 949 666, representing 65% of the total cost. The Commission's proposed allocation under the Fund is based on the information made available by France.
29. 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.
30. The proposed 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.
31. 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 on the amount required. The Commission invites the first of the two arms of the budgetary authority to reach an agreement on the draft mobilisation proposal, at appropriate political level, to inform the other arm and the Commission of its intentions. In the event of disagreement by either of the two arms of the budgetary authority, a formal dialogue meeting will be convened.
32. 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

33. Appropriations from the EGF budget line will be used to cover the amount of EUR 11 949 666 needed for the present application.

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on 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/2010/015 FR/Peugeot from France)

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 management¹¹, 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 Fund¹², and in particular Article 12(3) thereof,

Having regard to the proposal from the European Commission¹³,

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 30 December 2011 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 PSA Peugeot Citroën group in France on 5 May 2010 and supplemented it by additional information, the last of which was supplied on 13 April 2012. This application complies with the requirements for determining the financial contributions

¹¹ OJ C 139, 14.6.2006, p. 1.

¹² OJ L 406, 30.12.2006, p.1.

¹³ OJ C [...], [...], p. [...].

set out in Article 10 of Regulation (EC) No 1927/2006. The Commission therefore proposes to mobilise an amount of EUR 11 949 666.

- (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 2012, the European Globalisation Adjustment Fund (EGF) shall be mobilised to provide the sum of EUR 11 949 666 in commitment and payment appropriations.

Article 2

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

Done at Brussels,

For the European Parliament
The President

For the Council
The President