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EUROPEAN COMMISSION

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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/2010/018 DE/Heidelberger Druckmaschinen 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<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 27 May 2010, Germany submitted application EGF/2010/018 DE/Heidelberger Druckmaschinen for a financial contribution from the EGF, following redundancies in the enterprise Heidelberger Druckmaschinen AG 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**

<b>Key data:</b>	
EGF Reference no.	EGF/2010/018
Member State	Germany
Article 2	(a)
Primary enterprise	Heidelberger Druckmaschinen AG
Suppliers and downstream producers	0
Reference period	26.1.2010 – 26.5.2010
Starting date for the personalised services	1.1.2010
Application date	27.5.2010
Redundancies during the reference period	1 212
Redundancies before and after the reference period	51
Total eligible redundancies	1 263
Redundant workers targeted for support	1 181
Expenditure for personalised services (EUR)	12 202 392
Expenditure for implementing EGF <sup>3</sup> (EUR)	580 000
Expenditure for implementing EGF (%)	4,5
Total budget (EUR)	12 782 392
EGF contribution (65 %) (EUR)	8 308 555

1. The application was presented to the Commission on 27 May 2010 and supplemented by additional information up to 1 July 2010.

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<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.

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 or the global financial and economic crisis**

3. In order to establish the link between the redundancies and the global financial and economic crisis, Germany argues that the manufacturing of printing machinery has followed the general trend of the machine construction which in 2009 saw a decline of orders resulting from the crisis. In Germany in April 2009 the orders for printing machinery were 52,6 % below the level reached in April 2008. A similar decline was noted for the EU-27. In the fourth quarter of 2008 the orders for printing machinery in Germany were 54 % below the level of those for the fourth quarter of 2007. For Heidelberger Druckmaschinen AG the total sales dropped by 22 % in the second quarter of 2009 compared to the same period in 2008 and by 33 % compared to the same period in 2007.
4. The German authorities further argue that, due to the financial and economic crisis, expenditure on printed material, i.e. the final output of the printing equipment, and in particular expenditure for advertising material, decreased significantly worldwide. The application cites data from Nielsen Media research GmbH which show a decrease in expenditure: in the first half of 2009, expenditure on advertisements in Europe decreased by more than 9 % compared with the same period of 2008. For the printing sector, this decrease resulted in a lower degree of capacity utilisation and an increase in the idle time of the equipment. As a consequence, the printing industry reacted with drastic cuts in capital expenditure, which in turn affected the manufacturers of printing equipment.

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

5. 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.
6. The application cites 1 212 redundancies in a single enterprise – Heidelberger Druckmaschinen AG – during the reference period from 26 January 2010 to 26 May 2010. All of these redundancies were calculated in accordance with the second indent of the second paragraph of Article 2 of Regulation (EC) No 1927/2006.

**Explanation of the unforeseen nature of those redundancies**

7. The German authorities argue that, even though in the past Heidelberger Druckmaschinen AG had to cope with a reduction in demand due to cyclical fluctuations, the current drop in demand from this enterprise as a consequence of the financial and economic crisis is unprecedented and could not have been foreseen. In July 2008 the enterprise adopted an adaptation programme that provided for a reduction of costs of EUR 100 million per year in order to overcome the downturn in economic activity. Following the collapse of Lehman Brothers in the US and the worsening of the financial crisis, Heidelberger Druckmaschinen AG adopted further

cost cutting measures of EUR 200 million per year. However, these efforts were not sufficient to prevent the decision to make a large number of workers redundant in order to adapt to the unforeseen drop in demand as a result of the financial and economic crisis.

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

8. The application cites a total of 1 263 redundancies in the single enterprise Heidelberger Druckmaschinen AG. Of these redundancies 1 212 occurred during the reference period and 51 before the reference period. Of these redundant workers 1 181 are targeted for assistance.

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

<b>Category</b>	<b>Number</b>	<b>Percent</b>
Men	1 023	86,6
Women	158	13,4
EU citizens	1 150	97,4
Non EU citizens	31	2,6
15-24 years old	179	15,2
25-54 years old	967	81,9
55-64 years old	35	2,9

There are 39 workers (3,3 %) with a longstanding health problem or disability included in the categories above.

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

<b>Category</b>	<b>Number</b>	<b>Percent</b>
Legislators, senior officials and managers	2	0,2
Professionals	51	4,3
Technicians and associate professionals	138	11,7
Clerks	165	14,0
Craft and related trades workers	56	4,7
Plant and machine operators and assemblers	766	64,9
Elementary occupations	3	0,2

11. 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**

12. The territory principally concerned by the redundancies is the Land Baden-Württemberg, in particular the cities of Heidelberg and Wiesloch in the administrative district of Karlsruhe as well as the cities of Ludwigsburg and Amstetten. A smaller number of redundancies occurred at other production sites in Brandenburg and North Rhine Westphalia.
13. The responsible authorities are the Labour Offices in Heidelberg, Mannheim, Karlsruhe, Amstetten, Ludwigsburg, Brandenburg and Mönchengladbach, the central

office of the Federal Employment Office, the regional directorate of the Federal Employment Office in Baden-Württemberg, North Rhine Westphalia, Berlin-Brandenburg, the Ministry for Labour and Social Affairs, Family and Elderly of the Land Baden-Württemberg, the Ministry for Labour, Health and Social Affairs of the Land North Rhine Westphalia and the Ministry for Labour, Social Affairs, Women and Family of the Land Brandenburg. Other stakeholders include IG Metall Heidelberg, Heidelberger Druckmaschinen AG, the transfer company Weitblick and the transfer company DEKRA.

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

14. The German authorities state that the redundancies in Heidelberger Druckmaschinen AG are distributed over four production sites in Baden-Württemberg (Wiesloch, Heidelberg, Amstetten and Ludwigsburg), one production site in Brandenburg in the Land Brandenburg and one production site in Mönchengladbach in the Land North Rhine Westphalia. Eight hundred seventy redundancies (i.e. 70 % of the total redundancies in Heidelberger Druckmaschinen AG) occurred in production sites within the competence of the regional office of Heidelberg. These 870 redundancies represent a reduction of 7 % of all workers involved in the manufacturing of machinery equipment and subject to social security contributions in the greater Heidelberg area.
15. On the basis of their place of residence, 58 % of the dismissed workers fall within the competence of the Labour Office of Heidelberg, 10 % within the competence of the Labour offices of Mannheim and Karlsruhe and the others are distributed across some 20 regional Labour Offices. The German authorities argue that, for the regions most affected, i.e. Heidelberg, Mannheim and Karlsruhe, the increase in the unemployment rate between December 2008 and March 2010 was respectively 12,4 %, 12,3 % and 15,6 %, which is significantly higher than the increase of 3,7 % during the same period for Germany as a whole. Therefore, the redundancies seem to have a significant impact on regional employment.

#### **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**

16. The following types of measures are proposed, all of which combine to form a coordinated package of personalised services aimed at re-integrating the workers into the labour market.
  - Job search allowance: Short-time allowance: This measure is intended to secure the livelihoods of workers who opt to enter into the transfer company<sup>4</sup>. For the purposes of the EGF application, the short-time allowance is only included for periods within which the dismissed workers are actively participating in active

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<sup>4</sup> As explained in SEC(2007)1142 on application EGF/2007/003 DE/BenQ a transfer company is an instrument provided for under German law which can be put in place in case of restructuring with ensuing job losses. The transfer company makes it possible in a structured manner to prepare redundant workers for new jobs through coaching, qualification and placement activities.

labour market policy measures provided within the framework of the transfer company, including measures undertaken at the own initiative of the workers<sup>5</sup>.

- Training courses leading to qualifications: This measure targets primarily the category of industrial workers, where most job losses occurred. As most of these workers already have a good qualification level, the new qualifications aim at updating and consolidation of their professional competences and are based on the profiling and initial interview with the workers. The measure includes individual and group qualifications i.a. in the following areas: Computer Aided Design (CAD), Computerised Numerical Control (CNC), milling and turning, specialist training in electrical, hydraulic and pneumatic engineering, project management, labour organisation, direct marketing, quality management.
- Management of qualifications: This covers the identification of individual concepts for the re-integration of the workers as well as the establishment of the qualification needs. The role of the qualifications manager is to reconcile the need for further qualifications as identified during the counselling process with the training possibilities that are available within the region.
- Workshops/peer groups: Apart from activities for the more traditional target groups of workers over 40 and over 50 years of age as well as migrant workers, there are also activities offered for workers who recently entered the company as apprentices. Apart from their apprenticeships these have gained little work experience. Through an intensive exchange of experience in peer groups these workers will receive practical advice for their working life as well as possibilities for the further development of their vocational perspectives.
- International guidance: This measure aims at preparing interested workers for a job application abroad and covers i.a. language training, job fairs, intercultural training as well as translation of documents which are necessary when applying for a job. For workers dismissed in Mönchengladbach special attention is paid to the possibility for technical jobs offered by the nearby labour market in the south-western regions of the Netherlands.
- In-depth guidance for business start-up: This covers support for planning, implementing and financing of a business start-up, as well as specialist guidance related to legal questions, taxes, marketing, acquisition, cost accounting and banking.
- Placement research: Placement researchers interface with potential employers and, on the basis of specific job vacancies, identify the most suitable candidates and their job specific training needs. This measure also covers the maintenance of employer databases, which are available to dismissed workers for own initiative job applications.

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The identification of the share of own initiative activities within a transfer company is based on the outcome of the study carried out by the University Duisburg – Essen, Institut Arbeit und Qualifikation 'Aktivität von Teilnehmern in der Transfergesellschaft – Ergebnisse der Befragung von EGF-geförderten Teilnehmern der Nokia-Transfergesellschaft, Bochum', Duisburg, Oktober 2009.

- Mobility allowance: This covers an allowance to encourage the dismissed workers to take up a job that involves a change of residence. It is also paid in case the beneficiary decides to accept new employment in another European country.
- Counselling and support in case of a new job and of unemployment: This measure provides for coaching by the transfer company during the phase within which the workers who have accepted a new job, are adapting to this job. It also provides support for workers who do not find a new job upon termination of the transfer company. In order to ensure continuity in placement activities, they will retain the same mentoring network as in the transfer company for a maximum period of six months after the termination of the transfer company.

17. The expenditure for implementing EGF, which is included in the application in accordance with Article 3 of Regulation (EC) No 1927/2006, covers management, information and publicity and control activities.
18. 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 of these services at EUR 12 202 392 and the expenditure for implementing EGF at EUR 580 000 (4,5 % of the total amount). The total contribution requested from the EGF is EUR 8 308 555 (65 % of the total costs).

Actions	Estimated number of workers targeted	Estimated cost per worker targeted (in EUR)	Total costs (EGF and national cofinancing) (in EUR)
<b>Personalised services</b> (first paragraph of Article 3 Regulation (EC) No 1927/2006)			
Job search allowance: short time allowance ( <i>Beihilfen für die Arbeitssuche: Transferkurzarbeitergeld</i> )	1 181	6 722	7 938 682
Training courses leading to qualifications ( <i>Qualifizierungen</i> )	553	3 683	2 036 699
Management of courses leading to qualifications ( <i>Qualifizierungsmanagement</i> )	553	251	138 803
Workshops and peer groups	235	772	181 420
International guidance ( <i>Internationale Beratung</i> )	250	347	86 750
In-depth guidance for business start-up ( <i>Vertiefte Existenzgründerberatung</i> )	92	1 967	180 964
Placement research ( <i>Stellenresearch</i> )	880	493	433 840

Mobility allowances ( <i>Mobilitätshilfen</i> )	66	3 209	211 794
Counselling and support in case of a new job and of unemployment ( <i>Beratung und Betreuung bei Arbeitsaufnahme und Arbeitslosigkeit</i> )	1 120	887	993 440
<b>Sub total personalised services</b>			<b>12 202 392</b>
<b>Expenditure for implementing EGF</b> (third paragraph of Article 3 of Regulation (EC) No 1927/2006)			
<b>Sub total expenditure for implementing EGF</b>			<b>580 000</b>
<b>Total estimated costs</b>			<b>12 782 392</b>
<b>EGF contribution (65 % of total costs)</b>			<b>8 308 555</b>

19. Germany confirms that the measures described above are complementary with actions funded by the Structural Funds, in particular with ESF certified training courses towards qualifications provided within the framework of the federal programme ESF-BA. The German authorities have put in place the necessary mechanisms to avoid any risk of double funding.

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

20. Germany started the personalised services to the affected workers included in the co-ordinated package proposed for co-financing to the EGF, on 1 January 2010. 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**

21. The Federal Ministry for Labour and Social Affairs had several discussions with the parties involved in the enterprise Heidelberger Druckmaschinen AG in order to explore the possibilities for EGF support and to reach a common agreement on the key elements of the support. Representatives from the Employment Office, from IG Metall and the regional employment ministries also participated in this consultation.
22. The German authorities confirmed that the requirements laid down in national and Community legislation concerning collective redundancies have been complied with.

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

23. 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 Community financial instruments.

### **Management and control systems**

24. Germany has notified the Commission that the financial contributions will be managed and controlled by the same bodies that manage and control the European Social Fund (ESF) funding in the Germany. Within the Federal Ministry for Labour and Social Affairs (Bundesministerium für Arbeit und Soziales) the 'Gruppe Europäische Fonds für Beschäftigung – Referat EF 3' will act as managing authority and the 'Organisationseinheit Prüfbehörde' as control authority.

### **Financing**

25. On the basis of the application from Germany, the proposed contribution from the EGF to the coordinated package of personalised services is EUR 8 308 555, representing 65 % of the total cost. The Commission's proposed allocation under the Fund is based on the information made available by Germany.
26. 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 above, to be allocated under heading 1a of the financial framework.
27. 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.
28. By presenting this proposal to mobilise the EGF, the Commission initiates the simplified dialogue procedure, as required by Point 28 of the Inter-institutional 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.
29. The Commission presents separately a transfer request in order to enter in the 2010 budget specific commitment and payment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.

### **Source of payment appropriations**

30. In the current state of implementation, it is foreseeable that the payment appropriations available in 2010 under the budget line 01.0404 'Competitiveness and Innovation Framework Programme – Entrepreneurship and innovation programme' will not be fully used this year.
31. Indeed, this line covers expenditure related to the implementation of the financial instrument of this programme, the main objective of which is to facilitate the access of SMEs to finance. Some time lag exists between transfers to the trust accounts managed by the European Investment Fund and disbursement to the beneficiaries. The financial crisis has a major effect on the forecasts in terms of disbursements for 2010. As a result, in order to avoid excessive balances on the trust accounts, the methodology for calculation of payment appropriations has been reviewed, taking into account the expected disbursements. The amount of EUR 8 308 555 can therefore be made available for transfer.

**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/2010/018 DE/Heidelberger Druckmaschinen 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<sup>6</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>7</sup>, and in particular Article 12(3) thereof,

Having regard to the proposal from the European Commission<sup>8</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) Germany submitted an application to mobilise the EGF, in respect of redundancies in the enterprise Heidelberger Druckmaschinen on 27 May 2010 and supplemented it by additional information up to 1 July 2010. This application complies with the requirements for determining the financial contributions as laid down in Article 10 of

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<sup>6</sup> OJ C 139, 14.6.2006, p. 1.

<sup>7</sup> OJ L 406, 30.12.2006, p. 1.

<sup>8</sup> OJ C [...], [...], p. [...].

Regulation (EC) No 1927/2006. The Commission, therefore, proposes to mobilise an amount of EUR 8 308 555.

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

HAVE DECIDED AS FOLLOWS:

*Article 1*

For the general budget of the European Union for the financial year 2010, the European Globalisation Adjustment Fund (EGF) shall be mobilised to provide the sum of EUR 8 308 555 in commitment and payment appropriations.

*Article 2*

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

Done at,

*For the European Parliament*  
*The President*

*For the Council*  
*The President*