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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 13 of the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management  
(application EGF/2014/006 FR/PSA)**

## EXPLANATORY MEMORANDUM

### CONTEXT OF THE PROPOSAL

1. The rules applicable to financial contributions from the European Globalisation Adjustment Fund (EGF) are laid down in Regulation (EU) No 1309/2013 of the European Parliament and of the Council of 17 December 2013 on the European Globalisation Adjustment Fund (2014-2020) and repealing Regulation (EC) No 1927/2006<sup>1</sup> (the 'EGF Regulation').
2. The French authorities submitted application EGF/2014/006 FR/PSA for a financial contribution from the EGF, following redundancies in Peugeot Citroën Automobiles (hereafter 'PSA') in France.
3. This application contains some deficiencies, which are set out in paragraphs 32 and 33 of this Memorandum. Despite these deficiencies, the Commission could assess the application from France. Following its assessment of this application, the Commission has concluded, in accordance with all applicable provisions of the EGF Regulation, that the conditions for awarding a financial contribution from the EGF are met.

### SUMMARY OF THE APPLICATION

EGF application:	EGF/2014/006 FR/PSA
Member State:	France
Region(s) concerned (NUTS level 2):	Ile de France (FR10) Bretagne (FR52)
Date of submission of the application:	25 April 2014
Date of acknowledgement of receipt of the application:	7 May 2014
Date of request for additional information:	8 May 2014
Deadline of provision of the additional information:	19 June 2014
Deadline for the completion of the assessment:	11 September 2014
Intervention criterion:	Article 4(1)(a) of the EGF Regulation
Primary enterprise:	Peugeot Citroën Automobile (PSA)
Sector(s) of economic activity (NACE Rev. 2 division) <sup>2</sup> :	Division 29 ('Manufacture of motor vehicles, trailers and semi-trailers')
Number of subsidiaries, suppliers and downstream producers:	0
Reference period (four months):	1 October 2013 - 31 January 2014
Number of redundancies or cessations of activity during the reference period (a):	1 989

<sup>1</sup> OJ L 347, 20.12.2013, p. 855.

<sup>2</sup> Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC regulations on specific statistical domains (OJ L 393, 30.12.2006, p. 1).

Number of redundancies or cessations of activity before or after the reference period (b):	4 131
Total number of redundancies (a + b):	6 120
Total estimated number of targeted beneficiaries:	2 357
Number of targeted young persons not in employment, education or training (NEETs):	0
Budget for personalised services (EUR)	21 133 946
Budget for implementing EGF <sup>3</sup> (EUR)	40 396
Total budget (EUR)	21 174 342
EGF contribution (60 %) (EUR)	12 704 605

## ASSESSMENT OF THE APPLICATION

### Procedure

4. The French authorities submitted application EGF/2014/006 FR/PSA within 12 weeks of the date on which the intervention criteria set out in paragraphs 6 to 8 below were met, on 25 April 2014. The Commission acknowledged receipt of the application within two weeks of the date of submission of the application, on 7 May 2014 and requested additional information from the French authorities on the following day (8 May 2014). Such additional information was provided within six weeks of the date of the request. The deadline of 12 weeks of the receipt of the complete application within which the Commission should finalise its assessment of the application's compliance with the conditions for providing a financial contribution expires on 11 September 2014.

### Eligibility of the application

#### *Enterprises and beneficiaries concerned*

5. The application relates to 6 120 workers made redundant in PSA. This enterprise operates in the economic sector classified under NACE Rev. 2 division 29 ('Manufacture of motor vehicles, trailers and semi-trailers'). The redundancies are mainly located around the Aulnay plant (being closed) in the NUTS<sup>4</sup> level 2 region of the Ile de France (FR10) and the Rennes plant (where major redundancies occurred) in the Bretagne (FR52).

#### *Intervention criteria*

6. The French authorities submitted the application under the intervention criteria of Article 4(1)(a) of the EGF Regulation, which requires at least 500 workers being made redundant or self-employed persons' activity ceasing, over a reference period of four months in an enterprise in a Member State, including workers made redundant in its suppliers and downstream producers.
7. The reference period of four months runs from 1 October 2013 to 31 January 2014.
8. The application relates to 1 989 workers made redundant<sup>5</sup> in PSA during the reference period of four months.

<sup>3</sup> In accordance with the fourth paragraph of Article 7 of Regulation (EU) No 1309/2013.

<sup>4</sup> Commission Regulation (EU) No 1046/2012 of 8 November 2012 implementing Regulation (EC) No 1059/2003 of the European Parliament and of the Council on the establishment of a common classification of territorial units for statistics (NUTS) as regards the transmission of the time series for the new regional breakdown (OJ L 310, 9.11.2012, p. 34).

<sup>5</sup> Within the meaning of Article 3(a) of the EGF Regulation.

### Calculation of redundancies and of cessation of activity

9. All 1 989 redundancies have been calculated from the date of the employer's individual notice to lay off or to terminate the contract of employment of the worker.

### Eligible beneficiaries

10. In addition to the 1 989 workers already referred to, the eligible beneficiaries include 4 131 workers made redundant before or after the reference period of four months. These workers were made redundant after the general announcement of the projected redundancies on 25 July 2012. A clear causal link can be established with the event which triggered the redundancies during the reference period.
11. The total number of eligible beneficiaries is therefore 6 120.

### Link between the redundancies and major structural changes in world trade patterns due to globalisation

12. In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, France quotes "L'industrie Automobile Francaise, Analyse et statistiques 2013"<sup>6</sup>, arguing that between the years 2000 and 2012, world production of vehicles grew by 25 million units or 44 %. Despite the effects of the global financial and economic crisis, production growth at global level continued (and still continues) at above 3 % per annum.
13. Within this continued growth, major disparities have emerged between the countries where motor vehicle production has long been established, and the more recent producers. Thus, during the same period (2000 to 2012), production in the USA declined by 11 %, that in Western Europe by 25 % and that in Japan by 2 %. At the same time, production in South Korea, China, Turkey, Indonesia, Iran, Malaysia, Thailand and South America grew significantly and now constitutes 47 % of world vehicle production (up from 15 % in 2000). According to OICA statistics<sup>7</sup>, EU-27 manufactured 16.2 million vehicles in 2013, out of a world total of 87.3 million (18.54 %), down from EU-15 producing 17.1 million vehicles in 2000, out of a world total of 58.3 million (29.41 %).
14. "L'industrie Automobile Francaise, Analyse et statistiques 2013" further states that, on the demand side, the EU is now a mature market with relatively slow growth, while the share of the BRIC countries in total worldwide demand has increased from 8.4 % in 2000 to 33.5 % in 2010. EU based manufacturers are not well placed to benefit from this growth in demand. Even within the EU, third country manufacturers are taking an ever increasing market share.
15. To date, the automotive sector has been the subject of 21 EGF applications, 12 of which based on trade related globalisation and 9 on the global financial and economic crisis.

### Events giving rise to the redundancies and cessation of activity

16. The events giving rise to the redundancies in PSA are losses amounting to EUR 560 million within the group in 2012, arising from a decline in demand, price pressure and the suspension in March 2012 of PSA activities in Iran (necessitated by international and EU sanctions). In 2011, sales in Iran had amounted to 12 % of global sales, so this event had a significant negative impact on the group. The

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<sup>6</sup> [http://www.ccfa.fr/IMG/pdf/ccfa\\_ra2012\\_fr\\_web-2.pdf](http://www.ccfa.fr/IMG/pdf/ccfa_ra2012_fr_web-2.pdf)

<sup>7</sup> <http://www.oica.net/category/production-statistics/>

earthquake and tsunami in North-East Japan in March 2011 also brought about supply difficulties for inputs to some of the Group's diesel vehicles.

17. The Group's action plan of 2009, to improve performance and gain competitiveness, was followed in 2012 by a complementary plan aimed at cost reductions, including the dismissal of personnel.
18. The production plant in Aulnay (Ile de France) is being closed entirely in 2014, while in Rennes (Brittany), staff cuts are taking place in conjunction with new investments. In other plants, the company has called for voluntary redundancies.

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

19. The redundancies have a significant adverse impact on the local and regional economy in the affected areas. In agreement with the relevant public authorities, the company has carried out regional impact studies for the areas around the Aulnay and Rennes plants. In its commune, the Aulnay plant was the 8th largest employer, and the redundancies reduce the numbers employed in the area by 13.6 %. The reduction is less steep in Rennes, but it must be noted that this area has already been affected by a general economic decline, with the number of unemployed in Brittany as a whole doubling within the past five years.
20. French law stipulates that the dismissing company, if it fulfils certain minimal criteria, must undertake a series of measures to ensure that the economic fabric of the affected regions is revitalised with its help. A plan to this effect was signed on 27 September 2013 between the French State and Peugeot Citroën Automobiles (PSA). Thus, for instance, the company is hoping to attract new employers to the sites it is vacating, with a view to enabling its former workforce to find new jobs there. It is also helping workers to move residence in order to take up job offers in other PSA production plants or with other employers. It is making funds available for local and regional business development, and also providing expert business advice and training. Some support for its suppliers is furthermore being planned.

**Targeted beneficiaries and proposed actions**

Targeted beneficiaries

21. The breakdown of targeted workers by sex, citizenship and age group is as follows:

Category		Number of targeted beneficiaries	
Sex:	Men:	1 896	(80.44 %)
	Women:	461	(19.56 %)
Nationality:	EU citizens:	2 135	(90.58 %)
	non-EU citizens:	222	(9.42 %)
Age group:	15-24 years:	2	(0.08 %)
	25-29 years:	47	(1.99 %)
	30-54 years:	921	(39.08 %)
	55-64 years:	1 387	(58.85 %)
	over 64 years:	0	(0.00 %)

22. The estimated number of workers expected to participate in the measures is 2 357.

### Eligibility of the proposed actions

23. The personalised services to be provided to the redundant workers consist of the following actions.
- Reception centre and casework : The French authorities will be responsible for 23 "espaces de mobilite et de developpement professionnel (EMDP)" and two "poles de mobilite professionnel (PMP)" in Aulnay and Rennes. These centres will guide and advise the workers and help them with their career plans. Their function is to counsel the workers, provide them with the available options and prepare them with the skills needed for job search. These centres are guided by an overall structure ensuring that they function in a co-ordinated manner. An internal web site will be developed, with various reference texts as well as facts and figures.
  - External experts and advisors to guide the workers in their specific plans.
  - Thematic workshops, e.g. how to prepare a CV, interview techniques, etc.
  - Regular information for the workers by the reception centres and the case handlers (web sites and other means).
  - Training costs : With the help of the advice received, the workers will agree on a training pathway to achieve their individual career plans and embark on this training.
  - Training allowances : These allowances ("allocations dans le cadre du conge de reclassement") are paid by the dismissing company alone for the first four months and are part of the application to the EGF for the following months (from the fifth month up to a total of 12 months). The Commission has verified that these allowances remain within the ceiling of 35 % of the total costs for the coordinated package of personalised services, as specified in Article 7(1) of the EGF Regulation.
  - Grants for business creation : The eligible worker can opt for the relevant advice, training and guidance, followed by a business start-up, or s/he can start the business without further advice and guidance, if a plan already exists and the worker is sufficiently prepared. The grants are paid upon presentation of the relevant documents showing business creation expenses.
  - The French authorities also plan to award interest free loans for the creation of new businesses. For possible support with this, they may decide to make use of the European Microfinance Facility.
24. The proposed actions, here described, constitute active labour market measures within the eligible actions set out in Article 7 of the EGF Regulation. These actions do not substitute passive social protection measures.
25. The French authorities have provided the required information on actions that are mandatory for the enterprise concerned by virtue of national law or pursuant to collective agreements. They have confirmed that a financial contribution from the EGF will not replace any such actions.

### Estimated budget

26. The estimated total costs are EUR 21 174 342, comprising expenditure for personalised services of EUR 21 133 946 and expenditure for preparatory,

management, information and publicity, control and reporting activities of EUR 40 396.

27. The total financial contribution requested from the EGF is EUR 12 704 605 (60 % of total costs). In the table below, the estimated cost per worker has been rounded to the nearest full Euro.

Actions	Estimated number of participants	Estimated cost per participant (EUR)	Estimated total costs (EUR)
<b>Personalised services (Actions under Article 7(1)(a) and (c) of the EGF Regulation)</b>			
Reception centre and file treatment ( <i>structures d'accueil et traitement des dossiers</i> )	2 357	461	1 086 275
External experts and advisors ( <i>cabinets de conseil</i> )	2 041	982	2 003 278
Thematic workshops ( <i>ateliers thematiques</i> )	148	243	35 925
Regular information of the workers ( <i>information des salaries</i> )	2 357	11	26 600
Training costs ( <i>depenses des formations</i> )	1 075	3 129	3 363 675
Grants for business creation ( <i>aides a la creation d'entreprises -- primes</i> )	1 120	6 448	7 221 312
Sub-total (a):	–		13 737 065 (65 %)
<b>Allowances and incentives (Actions under Article 7(1)(b) of the EGF Regulation)</b>			
Training allowances	1 075	6 881	7 396 881
Sub-total(b):	–		7 396 881 (35 %)
<b>Actions under Article 7(4) of the EGF Regulation</b>			
1. Preparatory activities	–		0
2. Management	–		10 396
3. Information and publicity	–		0
4. Control and reporting	–		30 000
Sub-total (c):	–		40 396 (0.19 %)
Total costs (a + b + c):	–		21 174 342
EGF contribution (60 % of total costs)	–		12 704 605

28. The costs of the actions identified in the table above as actions under Article 7(1)(b) of the EGF Regulation do not exceed 35 % of the total costs for the coordinated package of personalised services. The French authorities confirmed that these actions are conditional on the active participation of the targeted beneficiaries in job-search or training activities.
29. The French authorities confirmed that the costs of investments for self-employment, business start-ups and employee take-overs will not exceed EUR 15 000 per beneficiary.

#### Period of eligibility of expenditure

30. The French authorities started providing the personalised services to the targeted beneficiaries on 3 June 2013. The expenditure on the actions referred to in point 24 shall therefore be eligible for a financial contribution from the EGF from 3 June 2013 to 25 April 2016.
31. The French authorities started incurring the administrative expenditure to implement the EGF on 2 January 2014. The expenditure for preparatory, management, information and publicity, control and reporting activities shall therefore be eligible for a financial contribution from the EGF from 2 January 2014 to 25 October 2016.

#### Complementarity with actions funded by national or Union funds

32. The sources of national pre-financing or co-funding have been communicated by the French authorities neither in their application nor in response to the Commission's questions.
33. The French authorities have stated that, apart from the measures which the dismissing enterprise is obliged to provide for the workers as a result of legal obligations or collective agreements, the only other measures in support of the redundant workers will be those provided with the support of the EGF. They have added information on the various actions which the dismissing enterprise is undertaking in order to assist with the industrial revitalisation of the affected regions.

#### Procedures for consulting the targeted beneficiaries or their representatives or the social partners as well as local and regional authorities

34. The French authorities have indicated that the co-ordinated package of personalised services has been drawn up in consultation with the representatives of the targeted beneficiaries and the social partners. Numerous meetings between the PSA management and trade union representatives and works councils at various levels took place between 12 July 2012 and December 2013 concerning the measures to be taken to safeguard the jobs.

#### **Management and control systems**

35. The application contains a description of the management and control system which specifies the responsibilities of the bodies involved. France has notified the Commission that the financial contribution will be managed by 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 des Affaires Financières (MAFI -- Mission for Financial Matters) within the sub-directorate for Finance and Modernisation of the same Ministry. Certification will be provided by the Pôle de Certification (Certification Centre) of the Directorate-General for Finances in Nantes.



## **Commitments provided by the Member State concerned**

36. The French authorities have provided all necessary assurances regarding the following:
- the principles of equality of treatment and non-discrimination will be respected in the access to the proposed actions and their implementation;
  - the requirements laid down in national and EU legislation concerning collective redundancies have been complied with;
  - the proposed actions will not receive financial support from other Union funds or financial instruments and any double financing will be prevented;
  - the proposed actions will be complementary with actions funded by the Structural Funds;
  - the financial contribution from the EGF will comply with the procedural and material Union rules on State aid.

Since PSA has continued its activities after the lay-offs, the French authorities have also assured the Commission that it has complied with its legal obligations governing the redundancies and provided for its workers accordingly.

## **BUDGETARY IMPLICATION**

### **Budgetary proposal**

37. The EGF shall not exceed a maximum annual amount of EUR 150 million (2011 prices), as laid down in Article 12 of Council Regulation (EU, Euratom) No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020<sup>8</sup>.
38. Having examined the application in respect of the conditions set out in Article 13(1) of the EGF Regulation, and having taken into account the number of targeted beneficiaries, the proposed actions and the estimated costs, the Commission proposes to mobilise the EGF for the amount of EUR 12 704 605, representing 60 % of the total costs of the proposed actions, in order to provide a financial contribution for the application.
39. The proposed decision to mobilise the EGF will be taken jointly by the European Parliament and the Council, as laid down in point 13 of the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management<sup>9</sup>.

### **Related acts**

40. At the same time as it presents this proposal for a decision to mobilise the EGF, the Commission will present to the European Parliament and to the Council a proposal for a transfer to the relevant budgetary line for the amount of EUR 12 704 605.
41. At the same time as it adopts this proposal for a decision to mobilise the EGF, the Commission will adopt a decision on a financial contribution, by means of an implementing act, which will enter into force on the date at which the European Parliament and the Council adopt the proposed decision to mobilise the EGF.

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<sup>8</sup> OJ L 347, 20.12.2013, p. 884.

<sup>9</sup> OJ C 373, 20.12.2013, p. 1.

**DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**on the mobilisation of the European Globalisation Adjustment Fund, in accordance with Point 13 of the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management  
(application EGF/2014/006 FR/PSA)**

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 Regulation (EU) No 1309/2013 of the European Parliament and of the Council of 17 December 2013 on the European Globalisation Adjustment Fund (2014-2020) and repealing Regulation (EC) No 1927/2006<sup>10</sup>, and in particular Article 15(4) thereof,

Having regard to the proposal from the European Commission,

Acting in accordance with the procedure laid down in point 13 of the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management<sup>11</sup>,

Whereas:

- (1) The European Globalisation Adjustment Fund (EGF) was established to provide support for workers made redundant and self-employed persons whose activity has ceased as a result of major structural changes in world trade patterns due to globalisation, as a result of a continuation of the global financial and economic crisis addressed in Regulation (EC) No 546/2009<sup>12</sup>, or as a result of a new global financial and economic crisis and to assist them with their reintegration into the labour market.
- (2) The EGF shall not exceed a maximum annual amount of EUR 150 million (2011 prices), as laid down in Article 12 of Council Regulation (EU, Euratom) No 1311/2013 laying down the multiannual financial framework for the years 2014-2020<sup>13</sup>.
- (3) France submitted an application to mobilise the EGF, in respect of redundancies<sup>14</sup> in Peugeot Citroën Automobiles in France, on 25 April 2014 and supplemented it by additional information as provided by Article 8.3 of Regulation (EU) No 1309/2013. This application complies with the requirements for determining a financial contribution from the EGF as laid down in Article 13 of Regulation (EU) No 1309/2013.
- (4) The EGF should, therefore, be mobilised in order to provide a financial contribution of an amount of EUR 12 704 605 for the application submitted by France,

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<sup>10</sup> OJ L 347, 20.12.2013, p. 855.

<sup>11</sup> OJ C 373, 20.12.2013, p. 1.

<sup>12</sup> OJ L 167, 29.6.2009, p.26.

<sup>13</sup> OJ L 347, 20.12.2013, p. 884.

<sup>14</sup> Within the meaning of Article 3(a) of the EGF Regulation.

HAVE ADOPTED THIS DECISION:

*Article 1*

For the general budget of the European Union for the financial year 2014, the EGF shall be mobilised to provide the sum of EUR 12 704 605 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*