



Brussels, 9.12.2014
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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/2014/011 BE/Caterpillar)**

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 1927/2006¹ (the 'EGF Regulation').
2. The Belgian authorities submitted application EGF/2014/011 BE/Caterpillar for a financial contribution from the EGF, following redundancies in Caterpillar Belgium S.A. in Belgium.
3. 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/2014/011 BE/Caterpillar
Member State	Belgium
Region(s) concerned (NUTS level 2)	Hainaut (B32)
Date of submission of the application	22.7.2014
Date of acknowledgement of receipt of the application	4.8.2014
Date of request for additional information	24.7.2014
Deadline of provision of the additional information	16.9.2014
Deadline for the completion of the assessment	9.12.2014
Intervention criterion	Article 4(1)(a) of the EGF Regulation
Primary enterprise	Caterpillar Belgium S.A
Sector(s) of economic activity (NACE Rev. 2 division) ²	Division 28 ('Manufacture of machinery and equipment n.e.c.')
Reference period (four months)	1 January 2014 – 30 April 2014
Number of redundancies or cessations of activity during the reference period (a)	663
Number of redundancies or cessations of activity before or after the reference period (b)	367
Total number of redundancies (a + b)	1 030
Total estimated number of targeted beneficiaries	630
Budget for personalised services (EUR)	1 964 713

¹ OJ L 347, 20.12.2013, p. 855.

² 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).

Budget for implementing EGF ³ (EUR)	73 378
Total budget (EUR)	2 038 090
EGF contribution (60 %) (EUR)	1 222 854

ASSESSMENT OF THE APPLICATION

Procedure

4. The Belgian authorities submitted application EGF/2014/011 BE/Caterpillar on 22 July 2014, within 12 weeks of the date on which the intervention criteria set out below were met. The Commission sent an initial set of questions to the Belgian Authorities on 24 July 2014 and acknowledged receipt of the application within two weeks of the date of submission of the application, on 4 August 2014. Additional information was provided by the Member State within six weeks of the date of the acknowledgement. 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 9 December 2014.

Eligibility of the application

Enterprises and beneficiaries concerned

5. The application relates to 1030 workers made redundant in Caterpillar Belgium S.A. The enterprise operates in the economic sector classified under NACE Rev. 2 division 28 ('Manufacture of machinery and equipment n.e.c.'). The redundancies made by the enterprise concerned are located in the NUTS⁴ level 2 region of Hainaut (BE32) of Belgium.

Intervention criteria

6. The Belgian 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.
7. The reference period of four months runs from 1 January 2014 to 30 April 2014.
8. The application relates to 663 workers made redundant⁵ in the enterprise during the reference period of four months.

Calculation of redundancies and of cessation of activity

9. The redundancies have been calculated as follows:
- 661 from the date of the employer's individual notice to lay off or to terminate the contract of employment of the worker;
 - 2 from the date of the de facto termination of the contract of employment or its expiry;

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

⁴ 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).

⁵ Within the meaning of Article 3(a) of the EGF Regulation.

Eligible beneficiaries

10. In addition to the workers already referred to, the eligible beneficiaries include 367 workers made redundant after the reference period of four months. These workers were all made redundant after the general announcement of the projected redundancies on 28 February 2013. A clear causal link can be established with the event which triggered the redundancies during the reference period, as all the redundancies relate to the same downsizing process.
11. The total number of eligible beneficiaries is therefore 1030.

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

12. Caterpillar is the world leader in the production of machines and accessories necessary for the construction and operation of mines. In order to establish the link between the redundancies and cessations of activity and major structural changes in world trade patterns due to globalisation, Belgium states that Caterpillar has been strongly affected by declining demands for this type of products in Europe, which has led to the delocalisation to third countries of substantial production capacity. Caterpillar's Gosselies plant specialises in car assembly, production of components, soldered assemblies and structures. Its products are exclusively directed at the European construction and mining sectors. This situation exposes the plant to changes specific to these sectors and it is furthermore affected by fluctuations concerning production inputs. These variations, therefore, occur both upstream and downstream:
 - Upstream: Steel and metal products in Europe have suffered from intense competition from emerging economies and the years 2009 to 2013 were marked by numerous closures in the EU. Moreover, European steel prices rose sharply.
 - Downstream: The main customers of the Caterpillar Group are in the construction and mining sectors. The specific characteristics of these sectors at European level partly explain the restructuring decision concerning the Gosselies plant, namely the lasting effects of the 2009 crisis in the construction and mining sectors.

These trends have resulted in falling market shares for the Caterpillar Gosselies production facility and a declining competitiveness towards competitors in other parts of the world.

13. According to data referred to by the Belgian authorities, Caterpillar's production sites are located close to their markets, which explains the link between the European and global market developments and the reduction in workforce at the site in Gosselies. Since 2007, the Caterpillar Group has established plants in emerging economies in Asia and Latin America, and its growth is mainly linked to these markets. In particular, Asia's share of Caterpillar's sales has more than doubled between 2007 and 2013. This is linked to the overall growth of the Asian economies, especially in China and India, and the construction industry in these countries. On the other hand, the main market for Caterpillar Gosselies, the European Union, is depending on public and private investments in infrastructure in Europe which have recently been reduced. This helps explain that an already decreasing amount of new orders plummeted further by 40 % in 2011, according to the Belgian authorities.

14. To date, the 'Manufacture of machinery and equipment n.e.c' sector has been the subject of 12 EGF applications, 6 of which were based on trade related globalisation and 6 on the global financial and economic crisis.

Events giving rise to the redundancies and cessation of activity

15. The events giving rise to the redundancies are related to Caterpillar's decision to reduce its production operations on 28 February 2013, owing to considerably higher production costs in Europe. Compared to other plants, its Gosselies facility in Belgium is less profitable and importing into Europe from Asia is now cheaper than producing in Europe. Consequently, the company drew up a business plan to reduce its Gosselies operations which leads to 1 030 job losses. This decision will have a direct negative impact on several downstream producers for whom Caterpillar constitutes the most important supplier.

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

16. The redundancies at Caterpillar represent a 4% increase in jobseekers for the region of Charleroi, according to data from April 2014. But the downsizing of the plant in Gosselies will also lead to a series of redundancies in subcontractors, the extent of which is not yet known because the full effects of the downsizing on the local economy are still to be seen. The active population in the region of Charleroi in April 2014 consisted of 218 817 individuals, of whom 36 793 were unemployed (17%). The downsizing of Caterpillar's operations in Gosselies will significantly increase the unemployment level (by a whole percentage point) in the region of Charleroi. The downscaling of Caterpillar's operations in Wallonia should be considered in the light of a very difficult labour market situation in the region traditionally very dependent on industrial production. Looking at the whole manufacturing industry for the Charleroi area, employment has fallen by 15,3 % between 2007 and 12. In Wallonia, FOREM has been able to offer 16 % fewer job opportunities in 2013 compared with 2012, which already saw a decline in job openings.
17. Many of the unemployed persons are low skilled (59 % do not have upper secondary education) and 43 % have been unemployed for more than 2 years. The employment rate in Charleroi is also among the lowest in the Wallonia region at 52.26 % (56.75 % in the Wallonia Region).
18. Although the number of companies that have initiated a procedure for collective redundancies in Belgium remained relatively stable in 2012, less than 100 between 2010 and 2012, it increased to 140 in 2013. The metallurgy and metal processing sectors have been most affected representing three-quarters of all redundancies in 2013.⁶ In particular, the region of Charleroi saw an increase in bankruptcies and closures and restructuring; a total of 1 892 job losses since 2012.

Targeted beneficiaries and proposed actions

Targeted beneficiaries

19. The estimated number of targeted workers expected to participate in the measures is 630. The breakdown of these workers by sex, citizenship and age group is as follows:

Category	Number of targeted beneficiaries
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⁶ Source: National Bank of Belgium, 2013 report

Sex:	Men:	607	(96 %)
	Women:	23	(4 %)
Citizenship:	EU citizens:	630	(100 %)
	non-EU citizens:	0	(0 %)
Age group:	15-24 years:	42	(7 %)
	25-29 years:	64	(10 %)
	30-54 years:	411	(65 %)
	55-64 years:	113	(18 %)
	over 64 years:	0	(0 %)

Eligibility of the proposed actions

20. The personalised services to be provided to redundant workers consist of the following actions:

Redeployment:

- Support / guidance / integration. This set of services builds upon the standard activities carried out by the Redeployment Unit . The services will be provided by a team of FOREM staff (project manager, specialised advisers) in partnership with former workers’ representatives who act as ‘social attendants’ (accompagnateurs sociaux) to encourage workers to take part in the measures and to help them with administrative procedures. To facilitate contacts between the workers, the services are provided jointly to all the redundant workers at dedicated premises. The services cover three types of activities: (i) collective information on job-search techniques (writing a CV and application letter, using web resources, etc.), explanations on labour regulations (outplacement, unemployment, employment contract, pension), awareness-raising on discrimination, presentation of occupations and sectors with potential, etc.; (ii) individual interviews with a FOREM adviser (skills audit, career pathway, guidance on training, etc.); (iii) free and open access to job-search tools (IT equipment with an internet connection, telephone, specialised documentation, etc.). This measure will concern all 630 targeted workers, for a maximum duration of 24 months.
- Facilitating job-search. FOREM will also carry out specific activities to facilitate job-search and to overcome difficulties in the redeployment process. This includes meetings between the redundant workers and potential employers (job matching), company visits, meetings with recruiters to prepare for job interviews, and exchanges of experience with other workers who have already retrained or have found a job after a collective redundancy.

Training and retraining:

- Integrated training: Different types of vocational training courses could be provided (depending on the type of course) either by FOREM or by the centres de compétences or IFAPME. As an initial step, FOREM staff will help each participant to define their work-related goals and guide them towards one of three types of training module. Workers who could retrain for an occupation similar to the one they held in Caterpillar could either follow a specific or specialisation module (40 hours) to adapt their competences and bring them up

to date, or a supplementary course leading to new qualifications (320 hours), which would enable the workers to apply for jobs in a new occupation in the industrial sector. For retraining into an entirely different sector of activity, workers could follow an occupational training course (on average 960 hours) to acquire the competences required for this occupation. At the end of each training module, the new skills can be assessed and documented. Depending on the type of training and the field of competences, participants will be awarded either a formal certification of skills (i.e. a certificate of competence), a certificate of attendance (for competences or occupations for which no formal certification exists) or a validation of skills (for skills and competences acquired outside formal training courses). The formal certification of skills is verified through assessment tests which lead to the award of a 'Certificate of Skills Acquired through Training' (Certificat des Compétences Acquisées en Formation – CECAF). The validation of skills is verified through assessment tests which lead to the award of skills credentials (titres de compétences).

- Transfer of experience: Experienced workers can enhance their skills and know-how by becoming teachers or trainers in technical education. A specific awareness-raising and pre-training module will be developed by FOREM and the federations of the various branches of technical education to encourage certain workers to train to become vocational teachers. The module will include the provision of specific information, technical support, meetings with practitioners and site visits. The module will last for eight weeks and will target around 10 workers.

Promotion of entrepreneurship:

- Support for enterprise creation: Workers who are considering setting up their own business will receive guidance and support from a Business Creation Adviser from FOREM. This support includes two main activities: (i) collective information sessions to raise awareness on business creation opportunities, provide information on legal aspects and measures to support business creation; (ii) individual interviews with interested workers to review their project and put them in contact with business support organisations and service providers. The Adviser will work closely with the Redeployment Units to assist workers with their business projects. Around 50 workers are expected to attend the information sessions and around 15 would take part in the interviews and follow-up activities.
- Support for collective projects: Workers who might be considering setting up a 'social' enterprise together as a group will receive guidance and support from a specialised consultancy (selected through a call for tenders) and from the Redeployment Unit. This support includes information and awareness-raising sessions on business creation and basic management skills, as well as advice on setting up the company (e.g. drawing up a business plan, drafting legal statutes, marketing, etc.). Grants may be awarded to help cover the start-up costs of such business projects. The workers must submit an application which describes the project (e.g. workers' skills and experience, feasibility study, financial analysis, market potential, growth prospects, socioeconomic benefits, etc.). The Redeployment Unit's Support Committee, which brings together representatives from the employer, trade unions and FOREM, assesses the application and decides to award a grant or not. Each worker involved in the project may receive a grant of EUR 5 000 (with funds being pooled together

among all workers taking part). The grants can be used to cover the purchase of equipment, merchandises, publicity, consultancy, training, etc. The consultancy will administer the grants and report to FOREM on the use of expenditure (invoices and supporting documentation). It is expected that around 80 workers will take part in this measure, with five support grants being awarded to the workers.

21. 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.
22. The Belgian 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 such actions.

Estimated budget

23. The estimated total costs are EUR 2 038 090 comprising expenditure for personalised services of EUR 1 964 713 and expenditure for preparatory, management, information and publicity, control and reporting activities of EUR 73 378.
24. The total financial contribution requested from the EGF is EUR 1 222 854 (60 % of total costs).

Actions	Estimated number of participants	Estimated cost per participant (EUR)*	Estimated total costs (EUR)*
Personalised services (Actions under Article 7(1)(a) and (c) of the EGF Regulation)			
Redeployment: (<i>Orientation professionnelle</i>)			
- support / guidance / integration (<i>Reconversion/Insertion</i>)	630	2 167	1 365 313
- Facilitating job-search (<i>Dynamisation de la recherche d'emploi</i>)	150	300	45 000
Training and retraining: (<i>Formations</i>)			
- Integrated training (<i>Formations intégrées</i>)	210	2 030	426 400
- Transfer of experience (<i>Transmission d'expérience</i>)	10	300	3 000
Promotion of entrepreneurship: (<i>Aide à la création d'emploi</i>)			
-Support for enterprise creation (<i>Autocréation d'emploi individuelle</i>)	50	900	45 000
-Support for collective projects: (<i>Soutien à l'émergence de projets collectifs</i>)	80	1 000	80 000
Sub-total (a):	–		1 964 713

		(100,0%)
Allowances and incentives (Actions under Article 7(1)(b) of the EGF Regulation)		
Sub-total(b):	–	0 (0,0 %)
Actions under Article 7(4) of the EGF Regulation		
1. Preparatory activities, management, control and reporting	–	29 578
2. Information and publicity	–	43 800
Sub-total (c):	–	73 378 (3,6 %)
Total costs (a + b + c):	–	2 038 090
EGF contribution (60 % of total costs)	–	1 222 854

*Rounded figures

25. The Belgian 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

26. The Belgian authorities started providing personalised services to the targeted beneficiaries on 1 April 2014. The expenditure on the actions referred to in point 20 will therefore be eligible for a financial contribution from the EGF from 1 April 2014 to 22 July 2016.
27. The Belgian authorities started incurring administrative expenditure to implement the EGF on 1 January 2014. The expenditure for preparatory, management, information and publicity, control and reporting activities will therefore be eligible for a financial contribution from the EGF from 1 January 2014 to 22 January 2017.

Complementarity with actions funded by national or Union funds

28. The sources of national pre-financing or co-funding are as follow: The actions implemented will be pre-financed by the FOREM. The Redeployment Units, the training by FOREM and its partners are co-financed by the Wallonia Region.
29. The Belgian authorities have confirmed that the measures described above receiving a financial contribution from the EGF will not also receive financial contribution from other Union financial instruments. Financial support from the ESF was awarded to a project (EnTrain – En Transition-Reconversion-Accompagnement) which aimed to develop pedagogical methods for Redeployment Units in general. The findings of this project are likely to prove useful in the implementation of the planned measures.

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

30. The Belgian authorities have indicated that the co-ordinated package of personalised services has been drawn up in consultation with the targeted beneficiaries and the social partners.

31. The measures are the result of many discussions and preparatory meetings held between February 2014 and June 2014 among the various social partners involved.
32. The Redeployment Unit (cellule de reconversion) was specifically set up as part of the legal obligations linked to the collective redundancies procedure. The Redeployment Unit is managed by a committee which brings together representatives from the Walloon public services in charge of employment and training, FOREM, trade unions, and sector-based vocational training organisations.

Management and control systems

33. The application contains a description of the management and control system which specifies the responsibilities of the bodies involved. A steering committee composed of all the organisations involved in the implementation of the EGF measures ensures overall follow-up and coordination. The financial contribution from the EGF will be managed and controlled by the same bodies as for the ESF. One entity within the ESF Agency of the Wallonia-Brussels Federation (formerly the French Community of Belgium) will act as managing authority and another separate entity within the ESF Agency will act as paying authority. The Secretariat-General of the Wallonia-Brussels Federation will act as certifying authority and FOREM will act as intermediary body.

Commitments provided by the Member State concerned

34. The Belgian 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;
 - where the dismissing enterprises have continued their activities after the lay-offs, they have complied with their legal obligations governing the redundancies and have provided for their workers accordingly;
 - 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.

BUDGETARY IMPLICATION

Budgetary proposal

35. 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 2014-2020⁷.
36. 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

⁷ OJ L 347, 20.12.2013, p. 884.

beneficiaries, the proposed actions and the estimated costs, the Commission proposes to mobilise the EGF for the amount of EUR 1 222 854, representing 60 % of the total costs of the proposed actions, in order to provide a financial contribution for the application.

37. 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 management⁸.

Related acts

38. 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 1 222 854.
39. 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.

⁸ 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/2014/011 BE/Caterpillar)**

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 1927/2006⁹, and in particular Article 15(4) thereof,

Having regard to 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 management¹⁰, and in particular point 13 thereof,

Having regard to the proposal from the European Commission,

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 546/2009¹¹, 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.
- (3) Belgium submitted an application to mobilise the EGF, in respect of redundancies¹² in Caterpillar Belgium S.A. in Belgium on 22 July 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 1 222 854 for the application submitted by Belgium,

⁹ OJ L 347, 20.12.2013, p. 855.

¹⁰ OJ C 373, 20.12.2013, p. 1.

¹¹ OJ L 167, 29.6.2009, p.26.

¹² 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 2015, the EGF shall be mobilised to provide the sum of EUR 1 222 854 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