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Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the mobilisation of the European Globalisation Adjustment Fund in accordance with point 28 of the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management (application EGF/2009/012 IE/Waterford Crystal, Ireland)

EXPLANATORY MEMORANDUM

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) (point 28) 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 7 August 2009, Ireland submitted application EGF/2009/012 IE/Waterford Crystal for a financial contribution from the EGF, following redundancies in Waterford Crystal and three of its suppliers.

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

Key data:	
EGF Reference no.	EGF/2009/012
Member State	Ireland
Enterprise	Waterford Crystal
Suppliers / downstream producers	3
Article 2	(a)
Reference period	30.01.2009 - 29.05.2009
Starting date for the personalised services	11.03.2009
Application date	07.08.2009
Redundancies during the reference period:	
-- total number	538
-- in the main enterprise	512
-- in suppliers / downstream producers	26
Redundancies before / after the reference period	115
Total redundancies	653
Redundant workers targeted for support	598
Personalised services: budget in EUR	3 865 659
Administrative expenditure: budget in EUR	89,500
% administrative expenditure	2.26
Total budget in EUR	3 955 159
EGF contribution EUR (65 %)	2 570 853

¹ OJ C 139, 14.6.2006, p. 1.

² OJ L 406 of 30.12.2006, p. 1.

1. The application was presented to the Commission on 7 August 2009 and supplemented by additional information up to 3 November 2009.
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, Ireland argues that world trade in luxury goods has been significantly impacted by the crisis. The reduced purchasing power of consumers has caused a decline in demand for non essential goods, such as crystal and ceramics. For producers the global changes in credit, finance, production and retail trends has had a significant negative impact on manufacturing output with ensuing adverse impacts on employment.
4. The global credit crisis had serious implications for Waterford Crystal, which in October 2008 needed to access credits on the capital markets in order to continue its operations. As a result of the credit crunch, Waterford Crystal could only raise half the amount required. Failure to raise the necessary capital in combination with failure to find a buyer for the company resulted in Waterford Crystal being placed into receivership in January 2009.

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

5. Ireland 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 or downstream producers.
6. The application cites 538 redundancies in Waterford Crystal and three of its suppliers during the four-month reference period from 30 January 2009 to 29 May 2009. All of these redundancies were calculated in accordance with the 1st indent of the 2nd paragraph of Article 2 of Regulation (EC) No 1927/2006.

Explanation of the unforeseen nature of those redundancies

7. The Irish authorities argue that the severity of the global credit crisis and the resultant impact on the financial markets was impossible to predict. Even though Waterford Crystal had heavily invested in new products in previous years, totally revamped its range and rationalised its costs through outsourcing production to lower-cost countries, it was severely hit by the global crisis in October 2008 while it was in the process of restructuring its debt. The Irish authorities believe that, without the difficulties in getting access to additional funding, Waterford Crystal would have been able to restructure its debt and continue its activities while focusing on its core products.

Identification of the dismissing enterprises and workers targeted for assistance

8. The application cites a total of 538 redundancies in Waterford Crystal (512) and three of its suppliers (Thomas Fennell Engineering Ltd: 8 redundancies; RPS Engineering Services: 12 redundancies and Abbey Electric: 6 redundancies) during the four-month reference period. A further 115 workers were made redundant at Waterford Crystal after the reference period. Of this total of 653 workers, 598 are targeted for assistance.

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

Category	Number	Percent
Men	473	79.1
Women	125	20.9
EU citizens	598	100.0
Non EU citizens	0	0.0
15 to 24 years old	4	0.7
25 to 54 years old	449	75.1
Over 54 years old	145	24.2

More than 72 % of the dismissed workers are over 45 years of age and have never worked in any company other than Waterford Crystal.

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

Category	Number	Percent
Operative	425	71.1
Administrators	41	6.9
Managers	33	5.5
Fitters	17	2.8
Engineers	8	1.3
Stores	8	1.3
Co-ordinators	7	1.2
Electricians	6	1.0
Others	53	8.9

11. The 8.9 % listed under "others" fall into various categories, such as team leader, analyst, designer, customer service representative, auditor, accountant, financial and IT professional.

12. In accordance with Article 7 of the Regulation (EC) No 1927/2006, Ireland 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. Waterford is situated in the NUTS III South-East region, comprising Counties Carlow, Kilkenny, Wexford, South Tipperary and Waterford. The South-East region has a population of 460 820 people. Waterford city has the fifth largest urban population in the State.

14. The main public authorities concerned are:

- The Department of Enterprise, Trade and Employment with responsibility for national employment and training policy formulation and national funding.

Responsibility at operational level resides in Foras Áiseanna Saothair (FÁS), the National Training and Employment Authority.

- Enterprise Ireland (EI) is the State authority responsible for assisting the growth of Irish enterprises by providing locally controlled businesses with a single integrated source of development advice, funding and support services.
 - The Department of Education and Science is responsible for policy formulation and national funding of education. Operational responsibility resides with the Vocational Education Committees (VECs) in terms of the provision of adult learning as well as in a number of higher educational institutions, including universities and institutes of technology.
 - The City and County Enterprise Boards (CEB) were established in 1993 to provide support for micro-enterprises at local level.
15. Another relevant stakeholder is the Inter Agency Forum set up in the wake of the Waterford Crystal redundancies with the aim of assessing the impact of these redundancies on the local economy. It comprises i.a. the mayor, representatives from FÁS, the Department of Social and Family Affairs, Money Advice and Budgeting Service, Revenue Commissioners, City Enterprise Board, Waterford Area Partnership and two workers' and two company management representatives.

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

16. Ireland argues that the South-East region is more dependent on industrial activities than Ireland as a whole. This makes the region much more vulnerable to an economic downturn. In March 2007 industry accounted for 31.3 % of total employment in the South-East region compared to a national average of 26.6 %.
17. Following significant job losses culminating in the 512 redundancies at Waterford Crystal in early 2009, the share of industry in total employment in the region fell to 26.6 %, against a national average of 22.1 %. The number of persons on the 'Live Register' (the barometer of unemployment levels) in the region increased from 52 210 in early January 2009 to 65 029 by end June 2009, mainly due to a decrease in manufacturing activities in enterprises such as Waterford Crystal, Bausch & Lomb, Honeywell Turbo Technologies, Snowcream and ABB.
18. The Irish authorities argue that Waterford Crystal made a substantial contribution to the local economy. In 2007 Waterford Crystal employed 990 workers and had an annual payroll of more than EUR 47 million. It is estimated that the job losses at Waterford Crystal and its suppliers equates to at least EUR 40 million annual fall in personal consumption in Waterford city and surroundings with a potential additional knock-on impact on local employment. The closure of Waterford Crystal has also affected tourism, as the Crystal Visitor Centre and the factory, which used to attract about 320 000 visitors per year, no longer exist.

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

19. The proposed measures are mainly arranged along the needs of three identified priority groups with different educational levels. These measures are complemented by measures applicable across the three groups. All these measures combine to form a co-ordinated package of personalised services aimed at re-integrating the workers into the labour market, as follows :
- FÁS occupational guidance: consists of group briefing sessions and one-to-one interviews for redundant workers, so as to identify workers' current qualifications and job requirements and to provide information on job opportunities regionally, nationally and in the EU. Upskilling and training requirements are also being identified. A broad range of relevant training and, where appropriate, onward referral to educational providers or to enterprise advisory bodies in relation to business initiatives will be initiated.
 - FÁS training course: Planning for the future: This course, which is part of the FÁS advice and occupational guidance services, includes CV preparation, time management, career guidance, stress management, job interview skills and information regarding appropriate agencies to contact for setting up a business.
 - FÁS training allowances: These are allowances payable to the participants of the various measures, in order to permit their participation. These cover a subsistence allowance, as well as allowances for travel, accommodation as well as a meal allowance, where applicable, for a 7-week full-time course.
 - FÁS Technical Employment Support Grant (TESG): This allows the Employment Service Officers to purchase any relevant training in order to support dismissed workers, where this need cannot be met by FÁS directly or by any other State provider, within a reasonable time frame or at a convenient location.
 - FÁS training courses. FÁS has identified three key priority groups with different needs, and has identified modular packages of measures appropriate to these groups:
 1. Redundant workers with low educational/occupational attainment (76 % of redundant workers)
 2. Redundant workers with middle level education, semi-skilled (20 % of redundant workers)
 3. Redundant workers with third-level education (4 % of redundant workers)
 - Measures targeting workers with a low educational/occupational level. This group is most at risk of long-term unemployment and will require substantial training. FÁS, in consultation with the VEC responsible for adult and further education in Waterford City, has identified both FÁS mainstream courses and VEC services as best meeting the educational and guidance requirements of this group of workers. These measures include:
 - computer basic courses run by FÁS aimed at enabling learners to gain the skills, knowledge and competencies to carry out a range of practical computing tasks;
 - FÁS evening classes, made available to dismissed workers who wish to upskill, and providing an initial entry point to the education system for those dismissed workers who left school early and may be fearful of attempting full-day training courses;
 - VEC foundation programme for further education (National Framework of

- Qualifications (NFQ) level 4) consisting of modules in communications, personal effectiveness, IT skills and research skills;
- VEC evening classes (NFQ level 5) covering courses in areas such as childcare, special needs assistant, healthcare support, business studies, make-up, ECDL, photography, social studies, music industry studies, sound engineering and print journalism;
 - Waterford Institute of Technology (WIT) Foundation Programme for older workers with limited skills (NFQ level 5), including a recognition of prior learning module aimed at actively assisting dismissed workers in mapping their experiences in terms of entry requirements as well as programme and module learning outcomes and identifying possible credits for modules or parts of programmes;
 - training course by Waterford Local Employment Service (LES), covering training in job skills to 4 dismissed workers living in the Waterford City catchment area.
- Measures targeting workers with middle level education or semi-skilled. These are workers who have up to NFQ levels 4 and 5 standards of education. They can immediately avail of FÁS training and upskilling services. The following courses are targeting at this group: heavy goods vehicle driving, warehouse operations, forklift truck driving, and introduction to life sciences.
- Measures targeting workers with third-level qualifications with a demand for further qualifications to enable them to change or modify their career direction. One former Waterford Crystal worker has been offered the possibility to attend an MBA Masters programme in business at the University of Limerick. It is further proposed to offer a range of suitable third level courses (NFQ levels 6 - 9) in areas such as IT, Business and engineering to redundant workers from Waterford Crystal and its suppliers, geared towards improving their employability potential. Waterford Crystal, a company which operated for over 100 years in Waterford city, used to recruit most of its workers from primary and secondary schools. This, together with the high age profile of the redundant workforce, explains the low proportion of workers qualifying for third-level support. Following assessment interviews and profiling of the educational qualifications of the redundant workers and the information session organised by the educational and training providers, it has been estimated that 25 of the redundant workers holding a Leaving Certificate or third level qualifications are likely to take up this offer. In order to maximise the opportunities available to workers embarking on degree courses as well as their capacity to remain in and make progress within the education system, a recognition of prior learning module is included in the measures, which also contain allowances facilitating their participation.
- Measures in support of entrepreneurship. These include
- EI/CEB Entrepreneurship promotion, consisting of workshops, presentations, one to one interviews and information days targeted at dismissed workers seeking to start their own business;
 - EI/CEB entrepreneurship programme, covering a number of *Enterprise Start* and *Start you own business* short programmes, open to all individuals wishing to start up their own business;
 - EI Commercialisation Of Research and Development (CORD) Campus enterprise programmes generally given to start up companies / promoters /

researchers who attend a full-time third-level *Enterprise Platform Programme* delivered by Waterford Institute of Technology, provided they meet the strict entry requirements;

- CEB aid for self-employment, covering grants which may be used for recruitment of staff to a company or self-employment of start-up promoters, which have the potential of creating at least one full-time job;
- EI financial support for start-ups, providing feasibility grants for promoters with a business proposal to allow them to ascertain whether or not there is a niche in the market for their product offering, to validate the actual market potential and fine tune their proposal before finalising an investment proposal.

20. The administrative expenditure, which is included in the application in accordance with Article 3 of Regulation (EC) No 1927/2006, covers preparatory, management and control activities as well as information and publicity.
21. The personalised services presented by the Irish authorities are active labour market measures within the eligible actions defined by Article 3 of Regulation (EC) No 1927/2006. The Irish authorities estimate the total costs of these services at EUR 3 865 659 and the administrative expenditure at EUR 89 500 (= 2.26 % of the total amount). The total contribution requested from the EGF is EUR 2 570 853 (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)
Personalised services (first paragraph of Article 3 EGF Regulation)			
FÁS occupational guidance	468	50	23 400
FÁS training course - planning for the future	226	339	76 614
FÁS training allowances	423	1 890	799 470
FÁS TESG training grants	265	725	192 207 ³
FÁS training courses	430	2 351	1 010 943 ⁴
FÁS evening classes	110	350	38 500
VEC foundation programme for further education (NFQ level 4)	25	1 200	30 000
VEC evening classes (NFQ level 5)	55	1 200	66 000
WIT foundation programme for older workers with lower skills (NFQ level 5)	50	3 500	175 000
WIT foundation programme: recognition of prior learning programme	50	750	37 500
Waterford LES training course	4	81	325 ⁵
University Level Master in Business (TESG funded)	1	2 500	2 500
3rd level Degree courses – engineering, IT, business	25	10 000	250 000
3rd level Degree courses – recognition of prior learning module	25	750	18 750
3rd level courses - BTEA	25	8 780	219 500

³ Difference in total costs due to adding up costs of different subservices and rounding up different subtotals

⁴ Difference in total costs due to adding up costs of different subservices and rounding up different subtotals

⁵ Difference in total costs due to rounding of unit costs (EUR 81,18)

3rd level courses – Student maintenance grants	25	12 000	300 000
EI/CEB entrepreneurship promotion	598	25	14 950
EI/CEB entrepreneurship programme	50	1 000	50 000
EI CORD campus enterprise programme	7	30 000	210 000
CEB aid for self-employment (grants)	10	20 000	200 000
EI financial support for start-ups	10	15 000	150 000
Sub total personalised services			3 865 659
Technical assistance for implementing EGF (third paragraph of Article 3 EGF Regulation)			
Preparatory activities			22 500
Management			14 000
Information and publicity			40 000
Control activities			13 000
Sub total technical assistance			89 500
Total estimated costs			3 955 159
<i>EGF contribution (65 % of total costs)</i>			<i>2 570 853</i>

22. Ireland confirms that the measures described above are complementary with actions funded by the Structural Funds. Ireland will also ensure a clear audit trail for EGF funded activities, so that no other EU funding is sought or used for these activities.

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

23. Ireland started the personalised services to the affected workers included in the co-ordinated package proposed for co-financing to the EGF, on 11 March 2009. 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

24. The Irish authorities stated that FÁS, upon receipt of notification of the closure of Waterford Crystal, made contact with the Receiver to discuss the services available and the potential needs of the workers. The Receiver provided the workers' details. FÁS also made immediate contact with the Unite Trade union to inform it about the actions it was taking. The Interagency Forum set up by the Waterford City Council is currently assessing the impact of the redundancies on the region. This Forum includes representatives from both social partners and State agencies, whose views

are being and will be taken into account during the development and implementation of the package of measures.

25. The Irish 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

26. As regards the criteria contained in Article 6 of Regulation (EC) No 1927/2006, the Irish 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 under points 14 and 16 above do not receive assistance from other Community financial instruments.

Management and control systems

27. Ireland has notified the Commission that the financial contributions will be managed and controlled by the same authorities and bodies charged with the delivery and oversight of European Social Fund (ESF) funding in Ireland. The management authority will thus be the Department of Enterprise, Trade and Employment with a separate certifying authority and auditing authority delegated within the Department.

Financing

28. On the basis of the application from Ireland, the proposed contribution from the EGF to the coordinated package of personalised services is EUR 2 570 853, representing 65 % of the total cost. The Commission's proposed allocation under the Fund is based on the information made available by Ireland.
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 above, to be allocated under heading 1a of the financial framework.
30. 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.
31. 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 triologue meeting will be convened.

32. 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.

Alternative sources of payment appropriations

The practice followed until now has been of sourcing the necessary payment appropriations from the ESF budget because of the policy "proximity", and given that the annual requirement for the EGF in payment appropriations thus far have been in the range of 1% of the ESF payment endowment. However, the European Parliament contests that practice arguing that it takes away budgetary means to an instrument (ESF) which is a priority for the European Parliament, and calling on the Commission to use alternative sources. At this early stage of the budget year, such alternative sources are difficult to identify.

Nevertheless, with a view to meet this request for future EGF cases, the Commission is willing to look into the possibility of finding alternative sourcing of payment appropriations whenever this is possible and reasonable and where there is no risk of delay to the processing of the request for transfer.

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THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

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

Having regard to the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management⁶, 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 Fund⁷, and in particular Article 12(3) thereof,

Having regard to the proposal from the European Commission⁸,

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) Ireland submitted an application to mobilise the EGF, in respect of redundancies in the enterprise Waterford Crystal and three of its suppliers or downstream producers, on 7 August 2009 and supplemented it by additional information up to 3 November 2009. This application complies with the requirements for determining the financial contributions as laid down in Article 10 of Regulation (EC) No 1927/2006. The Commission, therefore, proposes to mobilise an amount of EUR 2 570 853.

⁶ OJ C 139, 14.6.2006, p. 1.

⁷ OJ L 406, 30.12.2006, p. 1.

⁸ OJ C [...], [...], p. [...].

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

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 2 570 853 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