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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 following an
application from Belgium – EGF/2017/010 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. On 18 December 2017, Belgium submitted an application EGF/2017/010 BE/Caterpillar for a financial contribution from the EGF, following redundancies² in Caterpillar and 5 suppliers (hereafter referred to as ‘redundancies’).
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/2017/010 BE/Caterpillar
Member State	Belgium
Region(s) concerned (NUTS ³ level 2)	Prov. Hainaut (BE32)
Date of submission of the application	18 December 2017
Date of acknowledgement of receipt of the application	18 December 2017
Date of request for additional information	24 December 2017
Deadline for provision of the additional information	4 February 2018
Deadline for the completion of the assessment	29 April 2018
Intervention criterion	Article 4(1)(a) of the EGF Regulation
Primary enterprise	Caterpillar – Solar Gosselies
Number of enterprises concerned	1
Sector(s) of economic activity (NACE Revision 2 Division) ⁴	28 (Manufacture of machinery and equipment n.e.c.)
Number of subsidiaries, suppliers and downstream producers	5 ⁵

¹ OJ L 347, 20.12.2013, p. 855.

² Within the meaning of Article 3 of the EGF Regulation.

³ 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).

⁴ OJ L 393, 30.12.2006, p. 1.

⁵ Fours suppliers made workers redundant within the reference period and one has dismissed workers outside this period.

Reference period (four months):	31 May 2017 – 30 September 2017
Number of redundancies during the reference period (a)	1 364
Number of redundancies before or after the reference period (b)	921
Total number of redundancies	2 287
Total number of eligible beneficiaries	2 287
Total number of targeted beneficiaries	2 287
Number of targeted young persons not in employment, education or training (NEETs)	300
Budget for personalised services (EUR)	7 575 294
Budget for implementing EGF ⁶ (EUR)	127 400
Total budget (EUR)	7 702 694
EGF contribution (60 %) (EUR)	4 621 616

ASSESSMENT OF THE APPLICATION

Procedure

4. Belgium submitted application EGF/2017/010 BE/Caterpillar within 12 weeks of the date on which the intervention criteria set out in Article 4 of the EGF Regulation were met, on 18 December 2017. The Commission acknowledged receipt of the application on the same day and requested additional information from Belgium on 24 December 2017. Such additional information was provided within six weeks 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 will expire on 29 April 2018.

Eligibility of the application

Enterprises and beneficiaries concerned

5. The application relates to 2 287 workers made redundant in Caterpillar Solar Gosselies (Caterpillar) and five suppliers. Caterpillar operates in the economic sector classified under NACE Rev. 2 division 28 (Manufacture of machinery and equipment). The redundancies made by the enterprises concerned are located in the NUTS level 2 Hainaut region BE32.

Enterprises and number of dismissals	
Caterpillar	1 997
Cediwal	68
Eutraco	63
Yusen	125
Attecam	9
MHP	25
Total no. of enterprises: 6	Total no. of dismissals: 2 287
Total no. of self-employed persons whose activity has ceased:	0

⁶ In accordance with the fourth paragraph of Article 7 of Regulation (EU) No 1309/2013.

Intervention criteria

6. Belgium 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 over a reference period of four months in an enterprise in a Member State, including workers made redundant by suppliers and downstream producers.
7. The reference period of four months for the application runs from 31 May 2017 to 30 September 2017.
8. The redundancies during the reference period are as follows:
 - 1 161 workers made redundant in Caterpillar
 - 203 workers made redundant in four suppliers of Caterpillar.

Calculation of redundancies and cessation of activity

9. All 1 364 redundancies during the reference period have been calculated as from the date of the facto termination of the contract or its expiry.

Eligible beneficiaries

10. In addition to the workers already referred to, the eligible beneficiaries include 923 workers made redundant before or after the reference period of four months. The total number of eligible beneficiaries is therefore 2 287. There is no overlap between the workers supported through the EGF/2014/011 BE/Caterpillar case and the ones included in the current application.

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

11. In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation Belgium argues that the main reason behind the workforce reductions is the worldwide competition in the construction and mining machinery sectors, and the consequent loss of machinery market share by Caterpillar.⁷
12. The mining sector's production in Europe has decreased from EUR 234 million in 2012 to EUR 180 million in 2015⁸ and the EU 28 exports have been in dramatic declining since 2014.⁹
13. According to information provided 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. In particular, Asia's share in Caterpillar sales has almost doubled between 2003 and 2013.¹⁰

⁷ From 26% in 2003 to 13% in 2013, Caterpillar, Communication to the Board of Directors, 28 February 2013.

⁸ Eurostat, Annual detailed enterprise statistics for industry (NACE Rev. 2, B-E).

⁹ From EUR 3,1 billion in 2014 to EUR 8 million in 2016, Eurostat
Eurostat: Code DS016890

¹⁰ From 25% in 2003 to 48% in 2013.

14. In 2008, the European steel price has increased sharply while the Chinese price has decreased, and currently is still lower than the European one.¹¹ Therefore, producing a machine in Gosselies is 21% more expensive than the ones produced in China.¹²

Events giving rise to the redundancies and cessation of activity

15. The primary event giving rise to these redundancies is the announcement by Caterpillar Belgium S.A. on 2 September 2016 of starting the collective redundancy procedure at its production plant located in Gosselies.
16. This is already Belgium's second EGF application in relation to Caterpillar. In 2014, 1 399 workers were the subjects of the first EGF application involving redundancies at the enterprise. The current proposal includes the remaining 1 997 workers at the site.
17. In 2015, Caterpillar invested in a new assembly line to boost its position on the market. However, contrary to expectations, economic growth in Europe was very slow and consequently the economic situation of the enterprise did not recover as expected.
18. Compared to other plants, its Gosselies facility in Belgium is no longer competitive. Consequently, Caterpillar has been relocating its production in emerging countries in Asia and Latin America, such as China and South Korea because of the fast-growing new markets and low production costs, linked to less restrictive environmental regulation and lower hourly labour costs. The company is now closing down all its activities in Belgium.

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

19. The unemployment rate is expected to rise by 6,1 % in the region of Hainaut, according to the Public Employment Service of Wallonia (FOREM).¹³
20. The closure of Caterpillar's plant has led to the dismissal of 288 workers amongst the suppliers.
21. More than 11 % of the targeted workers are over 55 years old.
22. The job seekers in Charleroi are mostly low-skilled (50,6 % do not have an upper secondary education) and 40 % are long-term unemployed (more than 24 months). The employment rate in Charleroi is only 52,2%, almost five percentage points lower than the average rate in the Walloon Region (57,1 %) (Source: FOREM)¹⁴.

Targeted beneficiaries and proposed actions

Targeted beneficiaries

23. All 2 287 redundant workers are expected to participate in the measures. The breakdown of these workers by sex, citizenship and age group is as follows:

Category		Number of targeted beneficiaries	
Sex:	Men:	2 115	(92,47 %)

¹¹ <http://steelbenchmarker.com/files/history.pdf>

¹² Caterpillar, Communication to the Board of Directors, 28 February 2013.

¹³ Calculation based on the number of job-seeker in December 2016.

¹⁴ https://www.leforem.be/MungoBlobs/44/644/20180212_Chiffres_SeriesStatistiquesMde201801.pdf

	Women:	172	(7,53 %)
Citizenship:	EU citizens:	2 233	(97,64 %)
	non-EU citizens:	54	(2,36 %)
Age group:	15-24 years:	2	(0,09 %)
	25-29 years:	70	(3,06 %)
	30-54 years:	1 952	(85,34 %)
	55-64 years:	263	(11,51 %)
	over 64 years:	0	(0,00 %)

24. Additionally, Belgium will provide personalised services co-financed by the EGF to up to 300 young people not in employment, education or training (NEETs) under the age of 30 on the date of submission of the application, given that 1 364 of the redundancies referred to in paragraph 8 occur in the NUTS level 2 region of Hainaut (BE32), which is eligible under the Youth Employment Initiative.
25. Article 6(2) of the EGF Regulation establishes that Member States may provide personalised services co-financed by the EGF also to NEETs, until 31 December 2017. The proposal for a Regulation of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union¹⁵ (the 'Omnibus regulation') includes an amendment to Article 6(2) of the EGF Regulation so as to extend the derogation for NEETs. According to data released by Eurostat on 17 January 2018, the unemployment rate of people between 15-24 years old in the Hainaut region is 33.3%. Therefore, the region remains eligible under Article 6(2) of the EGF Regulation. This amendment would apply with retroactive effect from 1 January 2018. As a consequence this Decision, which includes support to NEETs, can be adopted once the Omnibus regulation is adopted and enters into force.
26. The total estimated number of targeted beneficiaries expected to participate in the measures, including NEETs, is therefore 2 587.

Eligibility of the proposed actions

27. The personalised services to be provided to redundant workers and NEETs consist of the following actions:
- Individual job search assistance, case management and general information services. These measures include personalised job search assistance, such as counselling and career guidance, as well as open information services for workers and NEETs.
 - Training and re-training. This includes vocational and continuing training addressed to workers and NEETs. The courses were designed to match the training offer with the development priorities of Charleroi set out in the CATCH plan¹⁶.

¹⁵ http://eur-lex.europa.eu/resource.html?uri=cellar:a59b6beb-7a4f-11e6-b076-01aa75ed71a1.0001.02/DOC_1&format=PDF

¹⁶ Plan CATCH, Accélérer la Croissance de l'Emploi dans la Région de Charleroi, Septembre 2017 <http://www.catch-charleroi.be/>

- Promotion of entrepreneurship. This measure will provide the participants with a system of support for entrepreneurs, which foresees a close collaboration with the regional authorities dedicated to support self-employment.
 - Contribution to business Start up. This measure will provide start-up grants to promote self-employment, the creation of business activity, to launch and establish a full-time or a part-time business.
 - Allowances. These include: **1) training allowances** to cover costs incurred for the job-seeker or the NEET, during a training; **2) mobility allowances** to support receiving work located at a longer commuting distance; **3) back to education allowances** to promote the return on education system, will be paid for no more than 12 months and will be conditional on the applicants providing proof on their enrolled on a tertiary education course; **4) job search allowances** to help both jobseekers and NEETs to pay the costs incurred in order to attend the activities related to job search; **5) entrepreneurship allowance** to cover costs incurred for the job-seeker during the participation in the activities related to job search and will be conditional on the applicants presenting an individual or collective project of self-employment.
28. The personalised services which are to be provided to NEETs consist of the same actions as those for the redundant workers.
29. 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.
30. Belgium has 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

31. The estimated total costs are EUR 7 702 694, comprising expenditure for personalised services of EUR 7 575 294 and expenditure for preparatory, management, information and publicity, control and reporting activities of EUR 127 400.
32. The total financial contribution requested from the EGF is EUR 4 621 616 (60 % of total costs).

Actions	Estimated number of participants	Estimated cost per participant (EUR)	Estimated total costs (EUR) ¹⁷
Personalised services (Actions under Article 7(1)(a) and (c) of the EGF Regulation)			
Coaching measures and other preparatory measures (<i>Reconversion: accompagnement/orientation/insertion</i>)	2 587	1 852	4 790 323

¹⁷ Totals do not tally due to rounding.

Training and re-training (Formations spécifiques)	1 050	841	883 265
Promotion of entrepreneurship (Dispositif d'accompagnement à l'entreprenariat)	250	463	115 743
Start-up grant (Bourse de lancement)	75	10 000	750 000
Sub-total (a):			6 539 331
Percentage of the package of personalised services		–	(86,32 %)
Allowances and incentives (Actions under Article 7(1)(b) of the EGF Regulation)			
Allowances for training, mobility, back to education, job search and entrepreneurship (formation, prime à l'emploi distant, reprise d'étude, recherche d'emploi et création d'activité)	2 587	400	1 035 963
Sub-total (b):			1 035 963
Percentage of the package of personalised services:		–	(13,68 %)
Actions under Article 7(4) of the EGF Regulation			
1. Preparatory activities		–	82 000
2. Management		–	10 400
3. Information and publicity		–	5 000
4. Control and reporting		–	30 000
Sub-total (c):			127 400
Percentage of the total costs :		–	(1,65 %)
Total costs (a + b + c):		–	7 702 694
EGF contribution (60 % of total costs)		–	4 621 616

33. 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. Belgium confirmed that these actions are conditional on the active participation of the targeted beneficiaries in job-search or training activities.

34. Belgium 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

35. Belgium started providing the personalised services to the targeted beneficiaries on 22 October 2016. The expenditure on the actions will therefore be eligible for a financial contribution from the EGF from 22 October 2016 to 18 December 2019.

36. Belgium started incurring the administrative expenditure to implement the EGF on 5 September 2016. The expenditure for preparatory, management, information and publicity, control and reporting activities shall therefore be eligible for a financial contribution from the EGF from 5 September 2016 to 18 June 2020.

Complementarity with actions funded by national or Union funds

37. The sources of national pre-financing or co-funding are the Walloon Public Employment Service (FOREM) and the Region of Wallonia.
38. Belgium has confirmed that the measures described above receiving a financial contribution from the EGF will not also receive financial contributions from other Union financial instruments.

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

39. Belgium has indicated that the co-ordinated package of personalised services was drawn up in consultation with a working group, which included the Public Employment Service for Wallonia, the SOGEP¹⁸, the representatives of the trade unions and other social partners.

Management and control systems

40. Belgium has notified the Commission that the financial contribution will be managed and controlled by the same bodies which are responsible for the European Social Fund (ESF).

Commitments provided by the Member State concerned

41. Belgium has 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 dismissing enterprises, which have continued their activities after the lay-offs, have complied with their legal obligations governing the redundancies and 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

42. 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)

¹⁸ Sogepa is as an investment fund that provides investment services and accompanies business reorganization initiatives driven by credible and sustainable economic and industrial projects.

No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020¹⁹.

43. 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 4 621 616, representing 60 % of the total costs of the proposed actions, in order to provide a financial contribution for the application.
44. 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 management²⁰.

Related acts

45. 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 4 621 616.
46. 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.

¹⁹ OJ L 347, 20.12.2013, p. 884.

²⁰ 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 following an application from Belgium – EGF/2017/010 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 1927/2006²¹, 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 management²², and in particular point 13 thereof,

Having regard to the proposal from the European Commission,

Whereas:

- (1) The European Globalisation Adjustment Fund (EGF) aims 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, 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 is not to exceed a maximum annual amount of EUR 150 million (2011 prices), as laid down in Article 12 of Council Regulation (EU, Euratom) No 1311/2013²³.
- (3) On 18 December 2017, Belgium submitted an application to mobilise the EGF, in respect of redundancies in Caterpillar and 5 suppliers and cessations of activities (hereafter referred to as ‘redundancies’). It was supplemented by additional information provided in accordance with Article 8(3) of Regulation (EU) No 1309/2013. That 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) In accordance with Article 6(2) of Regulation (EU) No 1309/2013, Belgium has decided to provide personalised services co-financed by the EGF also to 300 young persons not in employment, education or training (NEETs).
- (5) The EGF should, therefore, be mobilised in order to provide a financial contribution of EUR 4 621 616 in respect of the application submitted by Belgium.

²¹ OJ L 347, 20.12.2013, p. 855.

²² OJ C 373, 20.12.2013, p. 1.

²³ Council Regulation (EU, Euratom) No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020 (OJ L 347, 20.12.2013, p. 884).

- (6) In order to minimise the time taken to mobilise the EGF, this decision should apply from the date of its adoption,

HAVE ADOPTED THIS DECISION:

Article 1

For the general budget of the Union for the financial year 2018, the European Globalisation Adjustment Fund shall be mobilised to provide the amount of EUR 4 621 616 in commitment and payment appropriations.

Article 2

This Decision shall enter into force on the day of its publication in the Official Journal of the European Union. It shall apply from *[the date of its adoption]**.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

* Date to be inserted by the Parliament before the publication in OJ.