CORPORATE SOCIAL RESPONSIBILITY

CODE OF CONDUCT OF THE EUROPEAN SUGAR INDUSTRY

Fourth implementation report (year 2006)

28.2.2007

INTRODUCTION

The Code of Conduct on corporate social responsibility in the sugar industry, signed on 7 February 2003, states that within the framework of their sectoral dialogue committee EFFAT and the CEFS are to ensure monitoring of the progressive implementation of the Code and regularly to update the examples of good practice. To this effect, EFFAT and the CEFS have undertaken to carry out a joint evaluation of implementation of the Code at European level each year, in February, in the form of an annual report covering the previous calendar year.

The first report on implementation of the Code was presented at the plenary session on 27 February 2004. The second report was presented on 28 February 2005 and the third on 28 February 2006. The present report constitutes the fourth implementation report, covering 2006, and will be presented at the plenary session of the sectoral committee for the sugar sector on 28 February 2007. These reports can be accessed on the joint site "www.eurosugar.org".

I – ECONOMIC AND POLITICAL CONTEXT

A - Reform of the sugar regime

Council Regulation 318/2006 laying down the new rules for the sugar CMO, to come into effect as from 1st July 2006, was adopted on 20 February 2006[1] and published in the Official Journal on the 28.2.2006. In particular, it fixes new reference prices for white sugar, which will gradually fall from 631.9 EUR/t for marketing years 2006-2007 and 2007-2008 to 404.4 EUR/t as from marketing year 2009/2010. Compared to the current production of 17.4 million tonnes of sugar a year, 6 million tonnes must be progressively withdrawn from the market before marketing year 2009/2010, otherwise the Commission will itself proceed to reduce quotas on a compulsory linear basis.

Council Regulation No 320/2006 of the 20.2.2006 introduces a temporary regime for restructuring of the sugar industry[2], for which the rules of application are laid down in Commission Regulation 968/2006 of the 27.6.2006[3]. If a company relinquishes its quotas, it can receive degressive restructuring aid if it fulfils a number of conditions, including the presentation of a restructuring plan containing, among other things, a social plan. This aid is 730 EUR/t for marketing years 2006/2007 and 2007/2008. It is 625 EUR/t for the following marketing year and 520 EUR/t for the last marketing year (2009-2010).

For their part, the implementing Regulations were published late, in June and July 2006, which could have posed a few problems for operators.

[1] Council Regulation No 318/2006 of the 20.2.2006 on the common organisation of the markets in the sugar sector – OJ L 58/1 of the 28.2.2006
[2] Regulation No 320/2006 of the 20.2.2006 – OJ L 58/42 of the 28.2.2006
[3] Commission Regulation 968/2006 of the 27.6.2006 - OJ L 176/32 of the 30.6.2006

B. Crucial points and concerns for the social partners

1. The reform of the sugar regime is not working properly

Whilst the Commission expected a volume of relinquishment of quotas of about 4.5 million tonnes for the first two marketing years, only 1.5 million tonnes have been relinquished for marketing year 2006/2007 and relinquishment intentions for the following marketing year currently amount to 0.8 million tonnes. The quotas relinquished for marketing year 2007/2008 will be known on the 31.1.2007 at the earliest. However, it is already clear that the voluntary scheme envisaged by the Commission will not work properly. At this stage, beet-growers are not prepared to reduce the areas under beet to any substantial extent. It also seems that a number of Member States are hesitating to encourage restructuring, particularly in areas with little industry where it will be difficult to find another job.

"Taking into account the results of the restructuring scheme provided for in Regulation (EC) No 320/2006, the Commission shall decide by the end of February 2010 at the latest the common percentage needed to reduce the existing quotas for sugar, isoglucose and inulin syrup per member State or region with a view to avoid market imbalances in the marketing years as from 2010/2011".[4]

2. Preferential sugar imports into the Union constitute a major risk

The EBA Regulation[5] provides for a 50% reduction in customs duties for sugar from the 49 Least Developed Countries as from 2007, 80% in July 2008 and total liberalisation in July 2009. According to the Commission's estimates[6], this could represent a volume of imports of of 2.2 million tonnes in 2012/2013, whereas the CEFS estimates this import potential at 3.6 million tonnes by around 2010.

To these imports could added those from the 19 other ACP countries that are not LDCs, which could acquire the same status as the EBA countries in the negotiations in course on Economic Partnership Agreements. Exports from these countries are already 1.3 million tonnes at present. According to the CEFS, these exports could reach 1.9 million tonnes in 2010. With the LDCs, the overall potential is thus between 3.5 million tonnes and 5.5 million tonnes, depending on the estimates (i.e. in 2010 up to 50% of Community production capacities).

3. Imports of mixtures with a high sugar content are adding to this risk

An increase in imports into the EU of products with a high sugar content is also being observed. A recent example is that of a cocoa mixture which can consist of up to 99.7% sugar and only 0.3% cocoa powder[7] from Croatia. Whilst a tariff quota of 180,000 tonnes of sugar

---

[4] Council Regulation (EC) No 318/2006 of 20.2.2006 on the common organisation of the markets in the sugar sector – Art. 10.

[5] Everything But Arms

[6] Impact analysis of the reform of the sugar regime – Document of the 17.5.2005

[7] Regulation 242/2006 of the 10.2.2006 (OJ L 40/7 of the 11.2.2006) classes a product containing up to 99.7% sugar and 0.2% to 0.4% cocoa powder under heading 1806 10 90 (cocoa products containing over 80% sugar). It is indicated that this product is used and sold as sugar.

had been negotiated by the Commission for 2007, imports of cocoa mixtures rose from 65,000 tonnes in 2005 to 91,000 tonnes between January and August 2006[8]. Until there is a clear definition from the Commission of the concept of a mixture that is insufficient to confer origin, these types of disguised sugar import could continue to grow until they reach worrying levels.

C. __Foreseeable economic and social consequences__

To the obligation to reduce quotas by 6 million tonnes (i.e. 35% of production) before 2010, within the context of the reform of the sugar regime, must be added the risk of imports that can no longer be offset by exports, since a ceiling has now been placed on the latter following the loss of the sugar panel of the WTO. Import levels between 3.6 and 5.5 million tonnes, as indicated above, can therefore only lead to a further reduction in production quotas with a potentially devastating effect. Artificial flows of imports of mixtures containing sugar make this situation even worse.

It is generally considered in the sugar industry that a reduction of 100,000 tonnes of quotas leads to the closure of one factory in the former EU of 15 and two to three factories in the countries that joined in May 2004. It is expected that around 40% of factories will close down. This would probably give rise to the loss of 25,000 direct jobs and 125,000 indirect jobs, with one direct job generating five indirect jobs, i.e. a total of 150,000 direct and indirect jobs in the European Union.

Moreover, the restructuring of this industry will lead to the loss of jobs in regions where unemployment rates are already high, due to the specific geographical production pattern of the sector[9]. This implies that a major challenge for the stakeholders is to find socially responsible changes.

II – MANAGING RESTRUCTURING

A. __Practical guide to access to the structural funds__

Given the extent of restructuring and its consequences for employment, the industrial restructuring fund mentioned in chapter I.A will not, on its own, make it possible to carry out all the operations that can help in retraining and relocating the personnel concerned. Going beyond the social plan provided for by this fund, use of the European structural funds can be a precious tool in, for example, the development of human capital, the creation of businesses or the industrial revitalisation of a site. This is particularly true in the rural areas where most sugar factories operate, especially in the new countries that joined in 2004, where the sugar industry often constitutes the main industrial activity.

The social partners thus considered that it would be useful, with the financial backing of the European Commission, to create a computer tool on access to the structural funds specially designed for the sugar industry. In particular, this tool allows all useful information to be selected on the possibilities of access to the European structural funds according to:

. the location of each sugar factory (according to the objectives in effect)

---

[8] Eurostat statistics.

[9] Not to mention the cases of the ultra-peripheral regions and of the new member states, most of the factories as well as beet-growers are located in regions are included in the Objective 1 programmes of the Structural Funds.

. the industrial project (factory closure, staff cuts, industrial conversion, revitalisation of the local labour market).

This tool was introduced on the joint Eurosugar site (in the part reserved for the social partners) at the beginning of January 2006, in Word and html versions and in three languages (French, English and German). It was officially presented to the sectoral social dialogue committee for the sugar industry on the 28.2.2006.

200 CD-ROMs were also produced so as to enable a number of people who were interested but did not have access to the private site to consult the Practical Guide. In March 2006, a number of copies were handed over to different officials at several Directorates-General which had helped us to develop the Guide (DGs for Employment, Agriculture and the Regions).

A final report was presented to the Commission on 12 July 2006. It was validated by the DG for Employment in September 2006[10].

At this stage, we do not have a sufficient overview to judge how intensively this Guide is being used. In fact, factory closures are slower than expected and the first measures to be taken are being concentrated on complying with the closure conditions laid down in the above-mentioned Regulations and on negotiating the social plans. In addition, the budgetary perspectives for 2007-2013 were established only very recently and the Member States are currently working on the preparation of their programming documents and operational programmes.

However, several delegations have informed us of the difficulties that they experienced in applying for assistance from the structural funds, due to the complexity of the way in which these funds function and the investment in human resources required to obtain financing. This is particularly true for SMEs, especially for projects needing moderate investments (less than 100,000 Euros, for example) yet likely to bring real added value, such as staff retraining.

Along the same lines, both CEFS and EFFAT members have indicated that it is virtually impossible to make use of the European Globalisation Adjustment Fund adopted by the Council of Ministers at the end of 2006[11] due to access criteria that are practically inaccessible to the European sugar industry (see in Annex 1 the joint position of the social partners of 10 July 2006 and the reply from the Commission dated 14 November 2006).

B. ***Monitoring of factory closures and restructuring***

The social partners are monitoring factory closures on the basis of public information, press releases and information received via trade union representatives for EFFAT and human resources managers for the CEFS. They are essentially basing themselves on public information given by companies.

At this stage, although we are aware that the situation is changing constantly, we can already summarise the facts already observed and confirmed at the end of fin December 2006 as follows:

[10] Convention VS/2005/0166
[11] Regulation EC No. 1927/2006 of 20.12.2006 – OJ L 406/1 of 30.12.2006

COUNTRIES taking restructuring measures (with or without factory closures)	NUMBER OF SITES AFFECTED	PERMANENT PERSONNEL AFFECTED	RELINQUISHMENT OF QUOTAS
19 countries out of the 25 (Austria, Belgium, Czech Rep., Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Netherlands, Poland, Slovakia, Slovenia, Spain, Sweden, United Kingdom)	About 48	Over 4,000 people at the end of December 2006.	(Czech Rep., Finland, Greece, Hungary, Ireland, Italy, Latvia, Portugal, Slovakia, Slovenia, Spain, Sweden)

Restructuring measures affecting a number of jobs have been taken in some countries, without any factories being closed.

Some countries have established a rationalisation plan running up to 2010 which could lead to the closure of a number of factories, without the formal decision having been taken at this stage. In a number of cases, potential closures would seem to be linked to measures such as the extension of the campaign.

C. Seminar organised by EFFAT on 5 December 2006

On 5 December 2006, EFFAT organised a seminar in Brussels, with the financial support of the European Commission, on the reform of the European sugar market and the restructuring of the sugar sector. A number of site closures were analysed by the EFFAT delegates (Belgium, Spain, Italy and Ireland). In the second part of the meeting, the Commission presented its point of view on the state of the reform (DG AGRI) and the CEFS that of industrialists. The seminar also took stock of the latest developments in the different countries and the social plans drawn up or under negotiation.

This seminar brought together some fifty people. Employers and the Commission expressed their concerns as to the fact that the reform of the sugar regime was working badly at present and as to the potential economic, political and social impact. An initial analysis of the situation will be conducted after 31 January 2007, the date on which the level of relinquishment of quotas and the areas sown with beet will be known for marketing years 2006/2007 and 2007/2008.

Harald Wiedenhofer indicated that for EFFAT, whilst the need for a reform of the sector was well known, the extent of this reform, which could involve the loss of some 150,000 direct and indirect jobs, was neither necessary nor even “sustainable” and could not be justified solely by the factors of globalisation and the WTO. He referred to the fact that the industrial restructuring fund included conditions with figures for compensation for farmers but not for sugar industry employees[12]. He underlined the need for companies to comply with the Code of Conduct on corporate social responsibility signed in 2003 and to go beyond their strictly legal obligations. The particular case of Ireland was mentioned, with a legal procedure having begun between the company and the workers who had been made redundant. He also emphasised the need to offer employees losing their jobs real prospects in terms of social plans, training and vocational retraining.

[12] On this subject, the Commission clearly indicated that it was not the purpose of an agricultural regulation to fix social standards and that it was up to the national authorities to legislate in this field as the social standards had not been harmonised in the different Member States.

Finally, Harald Wiedenhofer emphasized that the first year of implementation of the reform shows that sugar workers were not taken sufficiently into account when its social dimension was discussed within the Council of Ministers. Many of the problems occurring today could have been avoided by including preventive measures in the texts. However, the Commission must also take its share of political responsibility for the failures of the reform. It cannot simply pass the buck to individual member states and should remember that it was they who endorsed this policy from the beginning.

III – IMPLEMENTATION OF THE CODE OF CONDUCT IN 2006

A. Minimum standards

As is done every year, a survey has been carried out on the broad lines of implementation of the CSR Code of Conduct in 2006 by the different delegations.

This survey confirms that the CSR process is developing constructively within the different delegations despite the very difficult restructuring conditions following the reform of the sugar regime.

In 2006 particular accent has been placed on vocational training, health and safety and the "restructuring" standard.

As regards standard 2 (Vocational training), there have been a large number of training activities, ensuring improved occupational qualifications linked to work in a sugar factory, as well as at a general level (languages, computer technology and management). Apprenticeship is still well established and applied by at least seven countries. Some companies provide their employees with specific courses with a view to their taking up new jobs to be performed within the context of conversion of the company for new activities. Some receive training with a view to their finding another job outside the sugar industry.

With reference to standard 3 (health and safety), in addition to the usual measures in sugar factories, a number of actions are mentioned concerning both ergonomics and the correct body posture and an appreciable improvement to workplaces, specific training for a particular risk (e.g. work in confined spaces) or the updating of professional guides, which will be referred to under the heading "examples of good practice". One delegation organised a major conference on health and safety bringing together over 150 people, from management to safety engineers or heads of laboratories.

For standard 7 "Restructuring", numerous measures are mentioned, particularly within the framework of social plans such as, for example, the redeployment of personnel in other factories belonging to the same company or, if appropriate, another sugar company, help in external relocation of personnel through contacts with HRMs at other companies in the region or through employment agencies or outplacement companies, the creation in some countries of staff training bodies, financed by companies or in certain cases jointly financed by the company and the authorities, and of course the possibility of early retirement for older workers. Several delegations mention regular advance information on the development of the company's situation.

B. Examples of good practice

Two innovative actions have been selected as examples of good practice. These are:

. in France, the preparation and annual updating of professional guides, with the help of specialists in safety, hygiene and the environment. These guides concern in particular safety when working in silos and the risk of the spread of legionnaire's disease.

. in Austria, the use of a training body co-financed by the industry and the authorities for the retraining for other jobs over four years maximum of personnel from the sugar industry (Arbeitsstiftung). It seems that 80% of workers retrained in this way find another job.

In addition, a case study has been carried out by the change observatory of the Dublin Foundation (European Monitoring Centre on Change – EMCC) on the closure in 1998 of the Beauchamps sugar factory belonging to the Vermandoise company. This closure, which gave rise to revitalisation of the local employment market, redeployment of personnel and net job creation, is already referred to as an example of good practice on the "Eurosugar" site.

IV – CONCLUSIONS

Within the context of the reform of the sugar regime, the period 2006-2010 appears to be extremely unstable for the European sugar industry, which will have to reduce its production by about 35% and its manufacturing margin by about 20%. This means the closure of around 40% of sugar factories and the presumed loss of at least 25,000 direct jobs and 125,000 indirect jobs, especially in rural areas where the possibilities of finding another job are limited.

To the constraints of the reform must be added the risk of volumes, potentially very high, of imports of sugar and products containing sugar due to the liberalisation in course for the Least Developed countries and for non-LDC ACP countries within the framework of the Economic Partnership Agreements currently under negotiation, not to mention the impact of the different free-trade agreements tending towards an increasing opening-up of borders. In the absence of suitable management, these imports will have the effect of reducing EU production capacities even further and potentially endangering the very existence of the sugar CMO.

Furthermore, the theoretical rate of relinquishment of quotas expected by the Commission does not correspond to the reality. This can lead to periods of intense crisis if several critical factors accumulate (delay in relinquishment of quotas, overproduction, fall in prices, less remunerative restructuring fund, linear reduction of quotas imposed by the Commission). Marketing year 2008/2009 already looks like being extremely difficult if corrective measures are not taken in good time.

In this particularly sensitive context, the European social partners, within the context of their European mandate, are making a maximum effort to promote mutual understanding and constructive communications of good quality, to move ahead on any matter of common interest, to ensure monitoring of the measures taken in the different countries, to hold an exchange of information that is useful to the profession as a whole, whether it concerns employers or employees, and to create computer tools facilitating access to information, such as the practical guide to access to the structural funds.

For their part, despite this crisis situation, companies are complying with the Code of Conduct on corporate social responsibility signed in 2003 and as far as possible are trying to give consideration to the interests of employees losing their jobs going beyond their legal obligations.

However, it is important to recall that when the Code of Conduct was signed in 2003, initiated at the request of the European Commission, the economic conditions were radically different. Nobody could have imagined the magnitude of the reform that was to be proposed or anticipated the extent of its social consequences. Companies' room for manoeuvre largely depends on today's economic realities and their ability to remain sufficiently profitable and competitive to stay in business.

Whilst the reform of the sugar regime is largely due to a political choice by the European Union and the Member States within the context of the globalisation of the economy, it is legitimate for the authorities as a whole, at both European and national level, also fully to shoulder their responsibilities in order to ensure that workers have real job prospects, especially in rural areas, and that companies trying to remain profitable can continue to operate.

EXAMPLES OF GOOD PRACTICE

Place and date	**Agrana Zucker – Hohenau factory – Austria** **2006 to 2009**
Subject	Vocational training/retraining foundation created by Agrana (Arbeitsstiftung Agrana) The purpose of the foundation is to support, in different ways, former employees of the Agrana factory in Hohenau who have lost their jobs: skills, training, help in seeking out new employment prospects or a new job, assistance in setting up a business.
Context	Due to the need to cut costs within the context of the reform of the sugar regime, the Hohenau site was closed after the 2005 campaign. Apart from seasonal workers, 136 permanent employees were also affected. Under the social plan that was negotiated, management and personnel tried to find optimum solutions for the employees concerned. Some were able to continue working within the company, whilst others benefited from early retirement. The aim was to offer the remaining personnel the best training or retraining possibilities so as to optimise their chances of returning to the labour market.
Project	In Austria, the legal possibility exists of using unemployment benefits to follow training courses for up to 209 weeks (Law on unemployment insurance - Art. 18-5). This can be done when the company that used to employ the persons in question creates an institution responsible for planning and implementing measures with an economic impact. This institution must be recognised by the employers' and trade union organisations empowered to negotiated collective agreements (Law on unemployment insurance - Art. 18-6). Thus it was that the Agrana Hohenau training/retraining foundation was created by the department responsible for the labour market in Lower Austria (Arbeitsmarktservice Niederösterreich), an institution with experience in the creation of training foundations for the agri-foodstuffs industry (Aufleb GmbH), in conjunction Agrana. In this way, each employee was offered the choice between a new career direction, a training or retraining course or new types of training. A special unemployment benefit is paid during this period.
Results	The social plan was finalised at the beginning of 2006. The foundation was created in March 2006. Employees were able to register up to December 2006. 60 employers were interested and 49 of them were admitted with a view to vocational guidance and qualifications. For them, the result is better possibilities of successfully returning to the labour market, particularly for employees who had worked in the sugar industry for a long time, which was usually the case, and for whom a change was more difficult to manage. The success percentage is over 90% within the framework of the foundation created by the Austrian food industry. The same result is hoped for in the case of former Hohenau employees.
Resources allocated	The training costs amounted to about 6,000 Euros and were financed by the company and the social partners (through the food foundation). Possible extended unemployment benefits would be payable by the authorities.
Contact	Gerhard ROBL Gerhard.robl@agrana.at Thomas BUDER Thomas.buder@agrana.at

Place and date	**France – 2005 and 2006**
Subject	Professional state-of-the-art guides. -
Context	In 2004, a regulatory text connected with risks in sugar silos was published by the Ministry of Ecology and Sustainable Development, calling into question certain safety investments relating to a previous text dating from 1998. Some of these measures seem somewhat incompatible with texts concerning the same field but drawn from the Labour Code (transposition of the ATEX Directive on explosive atmospheres) or even inapplicable to the context of sugar (particularly due to the fact that sugar is not self-heating)
Project	Safety officers in the profession wished to organise themselves under a Project Leader in order to study the basics of this text in greater detail, to examine all the constraints and to adopt an approach defining all the means allowing the objectives set by the departmental order to be attained. This approach builds on the reflections carried out by the profession since the 60s and is seen as a major step forward. It is an opportunity to obtain a genuine feedback of experiences on the basis of the accidentology study in this field, both at international level and at the level of French factories (analysis, origin of the accident, aggravating factors and experience feedback with reflections on the preventive measures to be applied). This guide then analyses in detail the measures set out in the departmental order, comparing each one with the state of the art in the matter, proposes new approaches allowing the objectives and the obligations arising from the different texts to be made compatible and goes so far as to make concrete proposals in the event of fire and explosion. On the strength of this enriching approach, the same work has been carried out with regard to a particular problem connected with management of the risk of the spread of legionnaire's disease.
Results	- January 2005: publication of the professional guide to the state of the art concerning safety in sugar silos. - January 2006: publication of the professional guide to management of the risk of the spread of legionnaire's disease and first update of the guide on sugar silos. - January 2007: First update of the guide to management of the risk of the spread of legionnaire's disease. - During 2007: Second update of the guide to safety in sugar silos, with an annex relating to work inside silos. The results essentially concern a better knowledge of the subjects dealt with, a dialogue with the authorities for wide circulation of the guides and a capacity for anticipating certain events as described with regard to both prevention and reactions to a crisis.
Resources allocated	A Project Leader and his assistant to handle the logistics of the dossier and propose drafts following exchanges. A working group comprising safety managers or engineers (six persons) from different sugar factories. (for the silos guide) A partnership with INERIS which specialises in this subject (for an overall cost fixed at the beginning of the project) and with specialists from the world of insurance, control bodies and fire brigades. Two SNFS technical executives. The investment has therefore consisted above all in the time made available to attend meetings (about ten).
Contact	jppinasseau@snfrs.fr

ANNEX 1

COMITE EUROPEEN DES
FABRICANTS DE SUCRE
CEFS
182, avenue de Tervuren
1150 – Brussels
Tel. 322/762 07 60

EUROPEAN FEDERATION OF FOOD,
AGRICULTURE AND TOURISM
EFFAT
38, rue Fossé-aux-Loups
1000 - Brussels
Tel. 322/218 77 30

DUE TO THE LACK OF A SECTORAL DIMENSION THE GLOBALISATION ADJUSTMENT FUND IS INACCESSIBLE FOR THE EUROPEAN SUGAR INDUSTRY

The Commission's proposal

The proposal for a Commission regulation provides for intervention by the Globalisation Adjustment Fund (EGF) in the case of major structural changes due to the globalisation of the economy, demonstrated by:

- a massive increase of imports into the EU;
- a progressive decline in market share in a given sector;
- relocation to the benefit of third countries.

The criteria for access to the EGF proposed by the Commission are as follows:

- redundancies affecting at least 1,000 people in a company (including redundancies among suppliers and subcontractors) in a NUTS III region[13] where unemployment is higher than the Community or national average.

or:

- redundancies affecting at least 1,000 people, over a 6-month period, in one or more companies in an agri-foodstuffs sector, representing at least 1% of regional employment in a NUTS II region[14].

Application to the sugar sector

The sugar sector is faced with massive restructuring due to a change in the legislation within the context of globalisation of the economy. The new sugar regime taking effect as from 1st July 2006 will entail a fall in production of about 35% over 4 years. This reform will probably lead to **the loss in the EU of 25 of at least 25,000 direct jobs out of 60,000 and around 125,000 indirect jobs, over a relatively short period, essentially in rural areas.**

The reform of the sugar regime has been made necessary by the loss of the sugar panel at the WTO and the signing of preferential agreements such as "Everything But Arms", providing for complete liberalisation for sugar from the least developed countries as from July 2009. These different factors will give rise to a massive increase in sugar imports concurrently with a decrease in exports, leading to an obligation to reduce Community production and favouring sugar production outside the EU.

The criteria defined by the Commission concerning employment would not, however, be accessible because they do not take the sectoral dimension into account.

[13] NUTS III: 1,214 regions with 150,000 to 800,000 inhabitants.
[14] NUTS II: 254 regions with 800,000 to 3 million inhabitants.

In effect, the sugar industry is essentially made up of SMEs employing an average of between 80 and 120 people (direct jobs). To reach 1,000 direct and indirect redundancies in a company at regional level (applying the multiplication factor of 3.5 for indirect jobs proposed by the Commission), it would be necessary for the company to make 300 people redundant. This cannot happen in any case whatsoever in the European sugar industry. Nor can the possibility of reaching 1% of employment in a NUTS II region (i.e. 8,000 to 30,000 people) be envisaged.

In a concern for coherency between the allocation level and the criteria laid down, the sectoral dimension of the industry must be taken into account

It would thus be extremely regrettable for a fund specifically created to help employees affected by the globalisation of the economy to return to the labour market to be conditioned by inaccessible criteria for medium-sized companies, whereas its modest allocation level (500 million Euros a year) could well correspond to the needs of an industry such as the European sugar industry.

The social partners in the European sugar industry,
with their rich experience of social dialogue for over 30 years
and anxious for the restructuring of their industry
also to be synonymous with re-entry into the labour force,
urge that the criteria for access to the EGF
go beyond the level of the company or the region
and also take account of an industrial sector as a whole
within the context of globalisation of the economy.

Brussels, 10th July 2006

Jean Louis BARJOL
Director-General
CEFS

Marianne NAGY
Chairwoman of the CEFS
Working Group on Social Questions

Harald Wiedenhofer
General Secretary
EFFAT

EUROPEAN COMMISSION
Employment, Social Affairs and Equal Opportunities DG

The Director General

Brussels, 14.11.06* 17423
DGEMPL/KvdP/PSJ/IP/cg
D (2006) 21037

Mr Jean Louis Barjol
General Director
Comité Européen des Fabricants de Sucre (CEFS)
182, ave de Tervuren
B - 1150 Bruxelles

Subject: **Joint position of the social partners of the European Sugar Industry regarding the European Globalisation adjustment Fund (EGF)**

Dear Mr Barjol,

Further to my letter ref. 12556 dated 18 August 2006, the Commission Services have analysed in more detail the joint position of CEFS and EFFAT, which you sent to me on 10 July 2006.

We are well aware of the restructuring process currently taking place in the sugar sector, of the fact that this sector is being opened to global competition, and of the estimated factory closures and job losses in many regions of the EU, for the most part rural.

This is why the European Union created the temporary fund for the restructuring of the sugar industry in the European Community, with the objective firstly to provide incentives to encourage less competitive producers to leave the industry, secondly to provide funding to cope with the social and environmental impacts of factory closure (financing of social plans or redeployment programmes and conversion measures to restore the site to good environmental conditions) and thirdly to provide funds for the most affected regions. These measures aim to support enterprises, farmers and workers at this time of change.

National rules regarding redundancy notices and payments also apply in the Member States and will help to ease some of the hardships of the workers being laid off.

As well as the temporary restructuring fund for the sugar sector, the European Social Fund also will be available to provide assistance, such as long-term retraining measures for workers losing their jobs or threatened by unemployment as a result of structural change. Member State governments are preparing the next programming period of the European Social Fund (2007-2013), thus enabling them to devote every attention to the

B-1049 Bruxelles / Brussel - Belgium. Telephone: (32-2) 299 11 11.
Office: J27 : 8/028. Telephone: direct line (32-2) 2968308.

needs of the sugar industry workers being made redundant at this time. As the ESF is implemented by means of shared management, the Member States themselves prepare and implement programmes within a common framework.

Those affected by the restructuring of the sugar industry will also be able to apply for assistance from the Rural Development Fund, which can provide aid for social measures in rural regions. Support for vocational training is given by the Rural Development Fund, *inter alia* to help them redeploy production in qualitative terms, and apply production practices compatible with the upkeep and improvement of the landscape and protection of the environment.

Regarding the EGF, discussions in the Council and the European Parliament are advancing at this time, and arguments brought forward by interest groups have also been discussed. Once the EGF is adopted, Member States, taking account of the availability of other funds to assist the particular need and avoiding duplication of funding, may apply for financial assistance as laid down in the Regulation.

I trust that, with this information, you will be able to better plan future applications for aid to the various Community instruments,

Yours sincerely,

Nikolaus G. van der Pas