

SOC-136-06

Brussels, 8 March 2006

**To the Members of the Sectoral Social
Dialogue Committee for the Sugar Industry**

**To the Members of the Working Group
on Social Questions**

***Main conclusions of the plenary session
of the Sectoral Social Dialogue Committee for the Sugar Industry
held on Tuesday 28 February 2006***

Dear Sir/Madam,

Please find attached the decisions and main conclusions of the plenary session of the Sectoral Social Dialogue Committee for the Sugar Industry held on 28 February 2006.

These conclusions will also be posted on the “eurosugar” site.

Yours sincerely,

Dominique LUND

SECTORAL SOCIAL DIALOGUE COMMITTEE FOR THE SUGAR INDUSTRY**28 February 2006 - List of participants****Chairwoman: Marianne Nagy**

<u>COUNTRY</u>	<u>EFFAT</u>	<u>ORGANISATION</u>	<u>CEFS</u>
BELGIUM	Jan MOENS Yves DEMEUSE Philippe HUBIN	CGSLB FGTB FGTB	Marc ROSIERS (Fédération belge) Alain MARLIER ISCAL Sugar SA
BULGARIA	Slavtcho PETROV Georgi Aleksiev USUNOV Ilka Ruseva RADKOVA	Fitu-Food Fitu-Food Fitu-Food	George USUNOV (Zaharni Zavodi)
DENMARK	Bjarne MORTENSEN	3F - Co-industri	
FRANCE	Jean-Michel DESMECHT Jean-Jacques CAZAUMAYOU Daniel LESAGE Jean-Jacques GAUTHIER	FGA CFDT FGTA-FO FGTA-FO FNAF-CGT	Jean Pierre PINASSEAU (French Federation)
GERMANY	Jörg LINDNER Wolfgang ENDLING	NGG NGG	Stefan RÖSSING (Verein der Zuckerindustrie)
GREECE			Themistoklis CHRYSIKOPOULOS Damianos ORFANIDIS (Hellenic Sugar Industry SA)
HUNGARY	Janos CSEPELY Katalin PAYRITS	EDOSZ APK KHT	Marianne NAGY (Nordzucker - CIE)
IRELAND			Gerry LYNCH (Irish Sugar Ltd)
ITALY	Sergio RETINI Daniele SAPORETTI Armando SAVIGNANO Antonio MATTEO	FAI CISL FAI-CISL FAI-CISL UILA Nazionale	Giorgio SANDULLI (Assozucchero)
LATVIA	Vija OZOLINA	LATU	
LITHUANIA	Tomas KIELA	LMP	Rimantas STULGYIS (Asocukrus)
POLAND	Stanislaw LUBAS Tomasz WIRKUS	NSZZ "Solidarnosc" NSZZ "Solidarnosc"	Jan RYBSKI (Association of Sugar Producers in Poland)
PORTUGAL	Antonio LOUCAO	SETAA	-
SLOVENIA	Stanko PODGORELEC Metka ROKSANDIC	ZSSS KZI ZSSS KZI	
SPAIN	Alberto DE FRUTOS Eugenio GARIGLIO	FTA-UGT FTA-UGT	Teresa LUIS RUIZ (BONPHIL) José JIMENEZ DE LA TORRE (Azucarera Ebro) Manuel RUIZ HOLST (Spanish Federation)
NETHERLANDS	Wim RAMAKERS	CNV-Bedrijvenbond	
European Social Observatory	Chrystophe DEGRYSE		
European Commission	Carlos LOPES (DG EMPL) E. PICHOT (DG EMPL) Dionyssis TSAGRIS (DG EMPL) Ronald HALL (DG REGIO) A. ALBANI (DG AGRI) A. CHRISTIDIS (DG AGRI) D. FISCH (DG AGRI) J.M. GAZAGNES (DG AGRI) Miguel GARCIA NAVARRO (DG ENTER)		
European Secretariats	<u>EFFAT</u> Harald WIEDENHOFER Eric DRESIN Stéphanie van COREGHEM <u>CEFS</u> Jean Louis BARJOL Dominique LUND Stefan LEHNER Oscar RUIZ DE IMAÑA Jérôme SHORJIAN		

I – Reform of the sugar regime and social consequences

By way of an introduction, Jean Louis Barjol presented detailed information on the content of the reform of the sugar regime, the planned timetable and the foreseeable social consequences of this reform (see presentation in Annex 1).

Harald Wiedenhofer referred to the worries of workers in the sugar industry as regards their future and their questions as to the type of action that could be taken despite the short period planned for the reform. In the context of the reform thousands of direct and indirect jobs will be lost.

Dominique Lund presented some requests for clarification concerning access to the different structural funds and the financing of the social plan when factories were closed down (see Annex 2).

Mrs Evelyne PICHOT (DG EMPL)

Following the Commission's Communication on restructuring and employment of the 31.3.2005, the social partners in the sugar sector had asked the DG for Employment to ensure a "reinforced follow-up" for their sector. This follow-up had taken concrete form in particular in the creation of a Sugar Industry Contact Group comprising representatives of several Directorates-General (DGs for Employment, Agriculture, Enterprise and the Regions). A first meeting had been held in November 2005. Another meeting was fixed for 6 March. This Contact Group allowed a synergic and coordinated examination of a number of measures for anticipation and management of the social consequences of restructuring, such as access to the structural funds. It also provided for a clearer understanding of certain texts connected with the reform.

Mrs Pichot also mentioned the creation of a Globalisation Adjustment Fund, the legislative proposal for which was to be adopted by the Commission on 1st March¹. This Fund was intended to help workers to find another job in the event of crises linked, in particular, to changes in international trade.

Mr Jean Marc GAZAGNES (DG AGRI)

Jean Marc Gazagnes indicated that the legal bases for the reform of the sugar regime had been specified in Council Regulations 318, 319 and 320/2006 of 20 February 2006 (OJ L 58 of the 28.2.2006).

This reform was aimed at enabling the sugar sector to become more efficient. At the heart of the reform was the industrial restructuring fund created for this purpose for four campaigns. It was possible to apply to this fund in the event of renunciation of quotas and dismantling of sugar production facilities in the factories concerned, as indicated in Regulation 320/2006 (Article 3). The aid allocated therefore corresponded to the quotas renounced in the conditions provided for in the Regulation.

¹ See Press Release IP/06/245 of the 1.3.2006

Companies renouncing quotas presented a restructuring plan in accordance with the conditions set out in the Regulation. This fund also worked with the Member States concerned by the sale of quotas in financing diversification aid (109.50 EUR per tonne of quota released for the 2006-2007 campaign), intended for regional diversification within the framework of EAFRD² axes I and III.

The rural development programmes were prepared by the Member States.

The actions to be undertaken were therefore:

1. for the company: preparation of the restructuring plan and the social plan (see Article 4 of Regulation 320/2006).
2. for the Member State: examination of the restructuring plan presented by the company within the framework of the application for restructuring aid.
This aid could also be supplemented in a coherent and coordinated manner by contributions from three structural funds:
 - . regional development fund (or ERDF);
 - . rural development fund (see also Regulation 1698/2005, mentioned in the footnote);
 - . European social fund (human resources).

The heart of the mechanism was therefore the industrial fund in cases of renunciation of quotas. A broader strategy could be established by the Member States around this mechanism by turning to the different sources of structural financing (apart from the diversification aid paid by the restructuring fund).

He underlined that Council Regulation 320/2006 already contained full information:

- . an amount of at least 10% of the industrial fund was reserved for farmers (see Art. 3.6);
- . the restructuring plan comprised various elements such as a social plan (see Art. 4.f) and a plan for protection of the environment (Art. 4.g);
- . the possibility of planning investments for the resumption of business activities in the region (see Art.6 - Diversification).

Questions and Answers

In reply to requests for clarification from the social partners, Jean Marc Gazagnes also indicated that these different provisions would be in the spirit of amendment 24 passed by the European Parliament on 19 January recommending utilisation of all available funds in an integrated manner.

Furthermore, in a document³ of the General Secretariat of the Council intended for the Special Committee on Agriculture it was indicated that companies applying for restructuring aid through the industrial fund had to undertake not to apply for financing from other Community funds for the same actions as those covered by the restructuring plan. Reply: Jean Marc Gazagnes explained that this was simply a question of not paying the same bill twice (Mr Christidis would explain in his presentation later on that successive complementary actions could of course be financed by different funds).

² See Council Regulation 1698/2005 of the 20.09.2005 - OJ L 277/1 of the 21.10.2005 - and the Council Decision of the 20.2.2006 on Community strategic guidelines for rural development 2007-2013 - (2006/144/EC) - OJ L 55/20 of the 25.2.2006.

³ See document DS 572/05 of the 14.10.2005 of the General Secretariat of the Council.

Other questions were asked by the participants:

. In the event of renunciation of the inulin quota, could one receive restructuring aid without closing down the factory (Yves Demeuse – Belgium)? Reply: one could decommission facilities for the production of inulin syrup without dismantling the whole factory and receive the corresponding aid.

. When there was no sale of quotas, there was no access to the restructuring fund if the factory was closed down and, therefore, no concrete response for employees (Al. Marlier – Belgium). Moreover, in some countries such as Belgium the national legislation on information and consultation (Renault Law) posed problems for access to the funds (employees and farmers had to be informed before the practical arrangements for implementation of the reform were known). Reply from Mrs Evelyne Pichot: the only answer to this question was to anticipate the information as far as possible within the framework of the social dialogue.

. In the event of total renunciation of quota and dismantling of sugar production facilities, could one use some equipment for other types of activities and what amount could one claim (Sergio Retini – Italy)? Reply: if part of the equipment was saved for uses other than sugar production, a certain percentage of the basic amount could be obtained.

. If sugar-producing activities were closed down on a site but one maintained operations through other business activities, for instance, what type of equipment could be kept and what kind of aid could be obtained (Giorgio Sandulli – Italy) ? Reply: if all the sugar-production facilities were dismantled, one could obtain 100% of the aid. But it was necessary to destroy all the facilities connected with sugar production, including the storage installations necessary for production. One could keep the facilities that were not connected to sugar production. For offices, the part of offices not necessary for the sugar production could be kept, but this question had to be examined on a case by case basis.

. A question was asked concerning refining aid (J.J. Gauthier – France) – Reply: refiners could present a business plan allowing adaptation to the new conditions. See also Regulation 320/2006 Art. 8.

. Harald Wiedenhofer referred to the provisions of Regulation 320/2006 which stated that in the event of total or partial dismantling of production facilities Member States could demand that companies enter into commitments going beyond the minimum legal requirements laid down by Community legislation (Art. 3.3.c) and 3.4.c). What autonomy did the social partners have when we knew that the European rules were minimum rules and some national regulations went further? In addition, what provisions were there for the creation of new jobs? Reply: as discussed at the Council of Ministers, the restructuring plan comprised elements that depended on each individual case. As regards the social plan, discussions would be held with the social partners to achieve a balanced plan. The situation could vary from one country to another and even from one factory to another. In a number of cases, the national legislation provided for the financing of certain actions which would therefore not be taken into account in the restructuring plan. In other cases, the restructuring plan would have to take more factors into account. Each plan would thus be different. The Council Regulation did not set out all the details. This had to be discussed case by case and in a balanced manner within the context of each restructuring plan. That depended on the financing available and new ideas could

emerge. As regards job creation, the European Community granted financial means for this purpose. It was up to the economic players to analyse job opportunities. In addition, if quotas were renounced the fund intervened. If no quotas were renounced, the industrial restructuring fund did not intervene since its objective was to reduce sugar production.

II. Access to the structural funds for the European sugar industry and presentation of the Practical Guide

A brief presentation was made of the Practical Guide on access to the structural funds for the sugar industry⁴. In his introduction, Mr Fernando Vasquez, in charge of company restructurings at the DG for Employment, underlined the Commission's desire to help the social partners in their efforts to anticipate and manage the social consequences of restructuring, together with the expected role of the structural funds in facilitating the economic reintegration of the regions concerned and the adaptation capacities of workers.

CD-ROMs were being distributed. The Practical Guide existed in three languages (French, English and German) and in two versions (html and Word). It allowed the structural funds that were potentially available to be quickly identified according to the location of each sugar factory and the industrial project envisaged. It also gave all useful details of how these funds operated (direct links to the European and regional sites, contact persons, etc.).

The representatives of the three Directorates-General managing the structural funds described the possible utilisation of these funds for the sugar industry (DG for the Regions, DG for Employment and DG for Agriculture).

Mr Ronald HALL (DG for the Regions)

Mr Ronald Hall was responsible for the regional development fund and the cohesion fund⁵ at the DG for the Regions. He welcomed the Practical Guide to access to the structural funds produced by the social partners as a useful instrument which would have to be updated as necessary in accordance with the regulations in course of preparation within the context of the budgetary perspectives for 2007-2013.

The final work on implementation of these budgetary perspectives was now in course (implementing regulation, budgetary resources available, budgetary and legal implementation).

The regulation proposed by the Commission in 2004 was being examined at the Parliament and the Council. The perspectives had been adopted by the Member States on 16 December 2005. The Parliament had not yet given the go-ahead. The resources proposed totalled 307.6 billion Euros over seven years for 27 Member States, including Bulgaria and Romania. The different management systems would be in place by the 1.1.2007. A final agreement by the Member States was expected between now and the end of March 2006.

⁴ See site www.eurosugar.org – Left-hand column “Structural Funds – Practical Guide” – Password “cefs” or “effat” – Login “social2004”.

⁵ This fund concerns Greece, Spain, Portugal and the 10 new Member States – See Practical Guide.

The European Regional Development Fund (ERDF) provided for targeted interventions at regional level, particularly in the least advanced regions (82% of total resources). The balance could also be used for the other regions, with 2-3% being reserved for transborder cooperation.

The resources for 2007-2013 would be used for more strategic purposes than previously, particularly within the framework of the growth and employment programme aimed at relaunching the Lisbon strategy.

The strategic guidelines presented by the Commission for 2007-2013, whose adoption was expected at the end of summer 2006, placed the accent on:

- . the need to invest in infrastructures;
- . growth and employment and the creation of new jobs;
- . innovation.

These priorities had to be broadly interpreted and the Commission would be open to proposals from the Member States within the context of restructurings. Their implementation was decentralised and largely depended on the Member States.

A positive example of intervention by the structural funds was the case of Rover (described in the Practical Guide). These funds had also played an important role for Hewlett Packard. The case of sugar was of particular interest to the Commission. There were possibilities of stimulating diversification and innovation in regions in which the sugar industry operated. He himself was working on this in coordination with his colleagues in other Directorates-General (rural development fund, European Social Fund) to help the sector to take up the current challenge, in parallel to the industrial restructuring fund.

Mr Dionyssis TSAGRIS (DG EMPL – European Social Fund)

Mr Tsagris indicated that the European Social Fund was focusing its action on the development of human resources and investment in human resources. The new Regulation would place the accent on the Lisbon objectives of growth and employment with a view to full employment. One of the political priorities will be to promote adaptability among employees and an entrepreneurial spirit.

In cases of restructurings, the new Regulation would also propose the possibilities of partnerships at national, regional and local level (pacts for employment) and would endeavour to promote “good governance”.

The social partners could play an important role in the management of these funds. NGOs could also manage part of these funds.

In conclusion, the guidelines had been set at European level but would be implemented at local level.⁶

⁶ See the “Practical Guide” – Part III – B : the structural funds : how do they work ?

Mr Athanasios CHRISTIDIS (DG Agri – Rural Development)

Mr Christidis, in charge of rural development at the Directorate-General for Agriculture, described the main characteristics of Council Regulation 1698/2005 of 20 September 2005 (See footnote N° 2), as mentioned within the context of the reform of the sugar regime. This Regulation had recently been completed by the Council Decision of the 20.2.2006 on the Community's strategic guidelines for rural development for the period 2007-2013 ensuring coordination and coherence with other Community policies, such as the environment and renewable energies.

Part of the financing available within the framework of the restructuring fund for the sugar industry could be used by Member States for the implementation of diversification measures corresponding to axes 1 and 3 of Regulation 1698/2005⁷. For axis 1, it was a question of competitiveness (agriculture, foodstuffs) and for axis 3 quality of life and diversification of the rural economy. Axis 1 included, for example, the development of new products or new technologies in the food and agriculture sector, along with the possibility of calling upon specialist advisory services or implementing early retirement measures. For axis 3, a local development strategy could be introduced.

It would be up to the Member States to define the criteria for distinguishing between measures for which direct diversification aid could be received, as provided for in the reform of the sugar regime, and those for which rural development aid could be received, financed by the Community.

Mr Christidis emphasised the interest of making use of all the funds available in a complementary and synergic manner through a local strategy developed with all the parties concerned (local authorities, companies, social partners) in order to help the sector to restructure in the best possible conditions.

III – Social responsibility in the European sugar industry

The third report on implementation of the Code of Conduct on social responsibility in the European sugar industry during 2005 was presented (see Annex 3), along with three new examples of good practice. The Polish translation of the Code of Conduct was attached to this report. These documents would shortly be posted on the “eurosugar” site.

The 2005 report underlined in particular that the efforts by the social partners and sugar companies to manage restructuring in a responsible manner could only succeed with the unfailing support of the European Commission and the Member States, in order to mobilise all the different social cohesion instruments.

Some participants expressed their profound disappointment with the current restructuring situation, which was endangering a large number of jobs, and emphasised their questions concerning the reasons given by the Commission as to the origin of this restructuring (globalisation, reform of the CAP, sugar panel at the WTO).

⁷ See Council Regulation 320/2006 of the 20.2.2006 on the fund for the restructuring of the sugar industry - Article 6.

One representative voiced his surprise at the fact that the accompanying measures were to be taken at national and local level and not at European level alone. Commission representative Carlos Lopes explained once more the different actions taken by the social partners at European level, with the help of the Commission. But he stressed that where the structural funds were concerned decisions lay almost entirely with the local authorities, with whom it was essential to establish a dialogue so that an appropriate strategy could be developed to seek out other solutions and create new business activities.

The Chairwoman, Marianne Nagy, recalled that the reform of the sugar regime had not been chosen by the sector but had been imposed on it. Furthermore, apart from the management of the structural funds, a large number of decisions depended in practice on the national authorities. Regarding the production of biofuel (which could be envisaged in replacement of the sugar activity) it was for instance the case as with the level of use of biofuels in fuels.

IV – Other major challenges facing the sugar industry

Marc Rosiers, Director-General of the Belgian federation (SUBEL), presented the current status of the WTO negotiations concerning market access and the consequences that these negotiations could have for the sugar sector (see Annex 4).

Dominique Lund briefly described the sugar industry's position vis-à-vis the revision of the preferential rules of origin that was in course (see Annex 5).

Oscar Ruiz, in charge of food law and nutrition matters at the CEFS, presented examples of the reformulation of foods containing sugar within the context of the challenge of obesity and made a critical analysis of the potential effects of these reformulations (see Annex 6).

Eric Dresin reported on a successful attempt to develop healthy diets in a number of Austrian canteens (see Annex 7).

V – Conclusions

Harald Wiedenhofer deplored the disastrous consequences of a reform which it had been impossible to avoid and the absence of prospects for workers. The social partners had taken a number of initiatives to try to avoid the worst and obtain some social accompaniment measures. He expressed the hope that the CSR Code of Conduct would make it possible to go well beyond the minimum standards established within the framework of the reform and that the European social dialogue, which had already proved itself, could continue to work for the introduction of positive and responsible accompanying measures.

Marianne Nagy indicated that one of the priorities of the social partners in 2006 would indeed be to monitor the introduction of accompanying measures so as to help the greatest possible number.