

SOC-127-07

Brussels, 22 March 2007

**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 Wednesday 28 February 2007***

Dear Sir/Madam,

Please find attached, for information, the main conclusions of the plenary session of the Sectoral Social Dialogue Committee for the Sugar Industry held on 28 February 2007.

These conclusions, together with the Annexes, will shortly be posted on the joint Eurosugar site (www.eurosugar.org).

Yours sincerely,

Dominique LUND

SECTORAL SOCIAL DIALOGUE COMMITTEE FOR THE SUGAR INDUSTRY

Plenary session held on Wednesday 28 February 2007

11.00 – 17.00

Borschette Centre

Chairmen: Jean-Pierre Pinasseau – Thomas Buder

Participants

<u>COUNTRY</u>		
<u>EEFAT</u> <u>ORGANISATION</u> <u>CEFS</u>		
AUSTRIA Thomas BUDER	GMTN	-
BELGIUM Yves DEMEUSE Philippe HUBIN Jean-Luc FOUCART Xavier TANGHE FGTB (Liège) FGTB (Liège) FGTB (Tournai) FGTB (Tournai) Alain MARLIER ISCAL Sugar SA		
FRANCE Jean-Michel DESMECHT Jean-Jacques CAZAUMAYOU Jean-Claude MARTIN Jean-Paul BRULIN CFDT FO		
FO CFE-CGC Jean Pierre PINASSEAU (French Federation)		
GERMANY Wolfgang ENDLING NGG Stefan RÖSSING (Verein der Zuckerindustrie)		
GREECE -	-	Themistoklis CHRYSIKOPOULOS (Hellenic Sugar Industry SA) Georg KOUKOS
HUNGARY -		Zoltan KOCZKA (Hungarian Federation)
IRELAND		-
ITALY Sergio RETINI Antonio MATTEI FAI CISL UILA Nazionale Giorgio SANDULLI (Assozucchero)		

POLAND Piotr BAKOWSKI	Stanislaw LUBAS Leszek ZIELINSKI Andrezj GARCZAREK Jerzy MUZYNSKI Marek WEPA	NSZZ "Solidarnosc" NSZZ "Solidarnosc" NSZZ "Solidarnosc" Nordzucker polka SA Nordzucker polka SA Krajowa Spolka Cukrowa SA	-
SPAIN Felix GONZALEZ DEL VAL Felix Teo CASARES Alberto de FRUTOS CC.OO CC.OO UGT Teresa LUIS RUIZ (BONPHIL) José JIMENEZ DE LA TORRE (Azucarera Ebro) Manuel RUIZ HOLST (Spanish Federation)			
European Commission Carlos LOPES (DG EMPL) Alessandro ALBANI (DG AGRI)	Doris FISCH (DG AGRI)		
European Secretariats EFFAT Eric DRESIN Lydia CASAGRANDE Wendy VAN HAVER CEES Dominique LUND Stefan LEHNER Patrick PAGANI			

I – Reform of the sugar regime and social consequences

Presentation by Mr Alessandro Albani

Mr Alessandro Albani (DG AGRI, Sugar Unit) described the current situation as regards the reform of the sugar regime, the difficulties encountered and the action envisaged by the DG for Agriculture.

The reform of the sugar regime provided for a reduction in sugar production of 6 million tonnes by 2010. But for marketing year 2006/2007 only 1.5 million tonnes had been relinquished and the forecasts for the next marketing year were well below expectations. The reasons for these disappointing results were the following in particular:

- . at present, beet production was still advantageous for growers;
- . the provisions of Regulation 320/2006, laying down an amount of at least 10% for farmers in the event of factory closures, were not very clear;
- . the local authorities were not encouraging factory closures, especially during this period of high unemployment;
- . the possibility for Member States of giving 25% of the quotas of a company closing down its factories to

another company had not proved to be a psychological factor favouring the voluntary relinquishment of quotas.

The Commission intended to propose measures to remedy this situation. These proposals could be presented in April-May so that the new regulation could come into force by October 2007, following a consultation of the European Parliament and the Economic and Social Committee and a discussion at the Council of Ministers.

In reply to the questions put to him, Mr Albani indicated in particular that:

. the amendment of Regulations 318/2006 and 320/2006 (on the sugar CMO and the restructuring fund) would entail amendment of the implementing regulations;

. when there were factory closures without relinquishment of quotas, this constituted restructuring for economic reasons but was not linked to the reform of the sugar regime;

. the reform of the regime had been made essential by, in particular, the prospect of the total liberalisation of imports from the Least Developed Countries in July 2009, within the context of the Everything But Arms Regulation.

Presentation by Stefan Lehner

On behalf of the CEFS, Stefan Lehner summarised the proposals by the sugar industry to improve the functioning of the reform of the sugar regime (see presentation in Annex 1).

The present restructuring fund had major disadvantages likely to entail substantial reductions in production over the two marketing years 2007/08 and 2008/09, along with a linear reduction for all companies – from 10% to 20% without compensation – at the end of the reform period. He recalled the different factors acting as a brake on the reform mentioned by Mr Albani. The sugar industry proposed that the premium of 730 Euros/t for voluntary relinquishment be maintained in 2008/2009. The same premium would be paid when the sugar factory was transformed with a view to the production of biomass. A fixed percentage of 10% would be paid to farmers, coupled with “reasonable” additional aid, left to the judgment of the Member States. He indicated that in spite of the rationalisation that had taken place since 2005 the industry’s fixed costs had remained unchanged. A curve showing factory closures since 1996 also indicated that the impact of the sugar reform on restructurings had been low. In other words, the real reform was still to come. Ethanol production could be a partial answer.

Presentation by Eric Dresin

Eric Dresin presented an updated map of factory closures (see Annex 2). About 48 sites had been closed by the end of 2006, affecting some 4,000 workers, which represented around 20,000 indirect jobs. However the closures related to the abandonment of quotas represent only half of this total (19 factories, 1.800 direct and 20.000 indirects workers). EFFAT was expecting many factory closures, particularly in the new Member States where social legislation tended to be minimal. EFFAT also emphasised the importance of compliance with a fair social plan in the different Member States and defended the idea that a sustainable reform went hand in hand with access to the fund, thus allowing jobs to be safeguarded. Eric Dresin also referred to the need to promote diversification aid within the context of rural development so as to contribute towards job creation in rural areas. Harald Wiedenhofer had sent a letter to Mrs Fischer Boel, the

Commissioner in charge of Agriculture, asking for the social dimension to be taken more into account in the amendment of regulations that was in course.

II – Social responsibility in the European sugar industry

Jean Pierre Pinasseau, Dominique Lund and Eric Dresin presented the fourth report on implementation of the CSR Code of Conduct in the sugar industry for 2006 (see this report on the EuroSugar site and also slides in Annex 3).

Dominique Lund described the external trade aspects that could have an impact on the functioning of the sugar CMO (rules of origin, imports of sugar mixtures, Economic Partnership Agreements, anticipated imports from LDCs after liberalisation of trade in July 2009). Use of the Practical Guide to access to the structural funds was also mentioned, along with the entry into force of the Regulation on the European Globalisation Adjustment Fund.

Eric Dresin summed up the main conclusions of the seminar organised by EFFAT on 6 December 2006 in order to take stock of the use of the industrial restructuring fund in 2006 and of the social plans introduced within the context of factory closures. He mentioned the case of Greencore in particular. Following the decision to close the Mallow site in May 2006, no agreement had been reached between employer and employees. An action was in course at the labour tribunal, whose judgment was expected shortly.

Jean Pierre Pinasseau commented on implementation of the minimum standards by the European sugar industry in 2006, placing particular emphasis on the vocational training aspect (skills improvement, apprenticeship), health and safety (improvements to the workplace) and restructuring (social plans and redeployment of personnel). He underlined the positive action undertaken in the new member countries fully to implement the Code of Conduct. He also presented an example of good practice in France (see the example on professional guides attached to the 2006 CSR report).

For his part, Thomas Buder described the operations of a vocational training/retraining body created by Agrana Zucker to help former employees of the Hohenau factory who had lost their jobs to return to the labour market (see example attached to the 2006 CSR report).

Alain Marlier, of Iscal Sugar in Belgium, presented the social plan implemented when the Furnes factory was closed down. A solution had been found for 70% of the personnel (see Annex No 4).

In conclusion, Jean Pierre Pinasseau said that despite the crisis situation in which the European sugar industry found itself at present, companies were doing their best to shoulder their social responsibilities with the means at their disposal. When the Code of Conduct was signed in 2003, nobody imagined the size of the coming reform and its social consequences. Within the framework of their mandate, the European social partners were making every effort to ensure a constructive follow-up to the reform and to undertake any useful action in the common interest.

III – Major external challenges facing the sugar industry

Economic Partnership Agreements and Action Plans for sugar

As Mrs van Houtte of the DG for Development had been prevented from attending, Eric Dresin described the context in which the action plans for sugar had been developed in the ACP countries and the obstacles encountered (see Annex 5). Dominique Lund provided some basic data on the Economic Partnership Agreements currently under negotiation which should come into effect as from January 2008 (see Annex 6). The aspects of these agreements concerning sugar could have a considerable impact on the future of the European sugar industry (protection at borders, rules of origin, etc.).

Revision of the preferential rules of origin and imports of sugar mixtures

Dominique Lund described the broad lines of the current revision of the preferential rules of origin applicable under the Generalised System of Preferences (150 GSP developing countries –see Annex 7).

The CEFS was following this revision with the utmost attention because the impact on the European sugar industry could be considerable. Excessive relaxation of the present rules could in fact lead to increased imports of sugar and sugar mixtures into the EU which it would be difficult to manage within the context of the sugar CMO. With the new sugar regime, the loss of the sugar panel at the WTO and the new WTO rules, it would in fact no longer be possible to export surplus sugar from the EU. The result would therefore be a reduction in production capacities and the closure of factories.

It was generally acknowledged in the different Commission Directorates-General (Trade, Development, Agriculture) that if imports into the EU rose above a certain level this could endanger the very survival of the sugar CMO and so a safeguard clause should be introduced.

Dominique Lund also mentioned imports of opportunistic products such as, recently, a cocoa mixture from Croatia. In actual fact, it was a question of almost pure sugar with a few traces of cocoa, entering the Union duty-free in considerable quantities (about 100,000 tonnes in 2006). This traffic had been stopped and the Commission was now considering issuing a warning to importers, putting them on their guard against this type of product.

IV- Working programme for the social partners for 2007

In 2007 the European social partners proposed to:

- . ensure monitoring of the reform by keeping each other mutually informed of developments;
- . take any useful initiative in the common interest;
- . promote examples of good practice.

The report on implementation of the CSR Code of Conduct for 2006 was presented at the

meeting. This report would be posted on the joint Eurosugar site in the near future, along with examples of good practice.

The social partners would also continue to keep themselves informed on the major external economic issues likely to have an impact on the sugar CMO. They would prepare joint positions if necessary.

(See 2007 working programme in Annex 8.)

V – A.O.B.

Carlos Lopes informed the social partners of the creation since 2006 of a new unit responsible for managing the anticipation of change, headed by Jean François Lebrun. The task of this unit would be to stimulate the anticipation of change, exchanges of good practice and the accompaniment of restructurings, and would also be responsible for other issues like stress management.

In 2007, the Dublin Foundation would also be paying particular attention to restructurings in the Food and Drink sector.

He recalled that within the context of the new budgetary perspectives for 2007-2013, the European Social Fund was preparing to support the action taken by the social partners on subjects of common interest.