

SOC-109-08

Brussels, 5 March 2008

**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 Thursday 28 February 2008***

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 Thursday 28 February 2008.

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

Yours sincerely,

Dominique LUND

SECTORAL SOCIAL DIALOGUE COMMITTEE FOR THE SUGAR INDUSTRY

Plenary session held on Thursday 28 February 2008

11.00 – 17.00

Borschette Centre

Chaired by: Jean-Pierre Pinasseau – Harald Wiedenhofer

Participants

<u>COUNTRY</u>	<u>EFFAT</u>	<u>ORGANISATION</u>	<u>CEFS</u>
AUSTRIA	Thomas BUDER	GMTN	-
BELGIUM			Alain MARLIER ISCAL Sugar SA Michel MEEUS
BULGARIA	Petrov SLAVELLO	FITU-FOOD	UZUNOV GEORGI GLUSHKOV DILYAN (Zaharni Zadovi PLC)
DENMARK	Jesper NIELSEN	3F	Peter RASMUSSEN (Danisco Sugar)
FINLAND	Henri LINDHOLM	SEL	
FRANCE	Jean-Michel DESMECHT Jean-Jacques CAZAUMAYOU Didier WILLIOT Jean-Paul BRULIN	FGA CFDT FGTA-FO CFE-CGC CFE-CGC	Jean Pierre PINASSEAU (French Federation)
GERMANY	Wolfgang ENDLING	NGG	Stefan RÖSSING (Verein der Zuckerindustrie)
GREECE	-	-	Themistoklis CHRYSIKOPOULOS (Hellenic Sugar Industry SA)
HUNGARY	-		Béla FISCHER (Magyar Cukor Rt) Zoltan KOCZKA (Sugar Association)
ITALY			Giorgio SANDULLI (Assozucchero)
POLAND	Tomasz SZCZESZEK Stanislaw LUBAS Sylwester ST_PIE_ Marta SERAFIN	NSZZ "Solidarnosc" NSZZ "Solidarnosc" NSZZ "Solidarnosc" NSZZ "Solidarnosc"	Gerd JUNG (Sugar Association) Aleksandra GARBARCZYK
PORTUGAL	Antonio LOUÇAO	SETAA	
SPAIN	Eugenio GARIGLIO Félix GONZALEZ DEL VAL Félix FEO CASARES	FTA-UGT CC.OO CC.OO	Teresa LUIS RUIZ (BONPHIL) Rafael VARGAS PENALVA (Azucarera Ebro)
NETHERLANDS			Chris H. KRAAIJMES (Suiker Unie Dinteloord)
UNITED KINGDOM	Ray BOYLE Justin BOWDEN	GMB GMB	Simon HARRIS (British Sugar)
European Commission	Carlos LOPES (DG EMPL) Alessandro ALBANI (DG AGR1) Doris FISCH (DG AGR1) Michel COOMANS (DG ENTR) Miguel GARCIA NAVARRO (DG ENTR)		
European Secretariats	EFFAT Harald WIEDENHOFER Eric DRESIN Maya BOGAERT CEFS Jean Louis BARJOL Dominique LUND Camille PERRIN Oscar RUIZ Patrick PAGANI		

I - Reform of the sugar regime and social consequences

State of the reform

Jean Louis Barjol (CEFS) recalled the essential points of the reform of the sugar regime: price reduction of 36% in 4 years together with a reduction in production of 6 million tonnes by 2010. In the first two marketing years (2006/07 – 2007/08), only 2.18 million tonnes had been relinquished. Incentive measures had been introduced by the Commission to speed up these relinquishments, with the first series of measures coming to an end on the 31.1.2008 (first wave) and a second “wave” ending on the 31.3.2008. 2.5 million tonnes had been relinquished by the 31.1.2008 (+ 0.1 million tonnes for 2009/10), which brought total relinquishments on that date up to 4.84 million tonnes. 1.16 million tonnes still had to be relinquished. If the target was not reached by 2010, the Commission would itself introduce a corresponding compulsory reduction in quotas.

Reminding the participants that three countries had already relinquished all their quotas (Ireland, Latvia and Slovenia), Jean Louis Barjol indicated the means still available to producers: reduction in variable costs and administrative costs, optimisation of assets, additional activities (biofuel, refining, etc.). He underlined that the restructuring in course would accelerate and that all the regions of the EU would be affected. From being a net exporter of sugar, the Union was becoming a net importer (see presentation in Annex 1).

Jean Louis Barjol also mentioned the risk of imports from third countries which were incompatible with the reform of the sugar regime. A number of political agreements were currently being negotiated by the European Community, be it a question of free trade agreements with certain regions or countries like EPAs, or the multilateral commercial WTO agreement. If the volume of imports could not be absorbed by the European domestic market, the result would be a reduction in production quotas. Apart from an unrealistic political objective of 3.5 million tonnes of imports from the EPA countries, which would exceed EC requirements by over 50%, the risk of massive imports was particularly acute at present within the context of the negotiations in course at the WTO. If the present proposals were to be ratified, this would reduce the entire reform of the sugar regime to nothing. **An open letter signed by the CEFS, EFFAT, the CIBE¹, the ACP countries and the LDCs would be sent in a few days’ time to the European Parliament and the Council** (see Annex 2).

Factory closures

Eric Dresin (EFFAT) presented a map and a working document showing the factory closures recorded to date. The 80% of quotas which had to be relinquished by 2008/09 as provided for by the reform were actually abandoned between 2006/07 and 2008/2009, which represented 73 factories out of 183. According to information received by the CEFS and EFFAT, by the 31.12.2007, 50 factories had already closed down since the beginning of the reform (2005/2006). By the 31.1.2008, 23 further closures had already been announced. Job losses were currently estimated at about 10,000 direct jobs, i.e. about 50,000 indirect jobs too².

¹ International Confederation of European Sugar-Beet Growers

² It is generally estimated that in the sugar industry one direct job generates 5 indirect jobs

Eric Dresin recalled that during these closures only one major dispute had arisen between employer and employees (Ireland). This case had now been resolved. In Italy, a restructuring plan had been introduced at national level with all the players concerned. In all the other cases, there had been negotiations on social plans, involving measures such as redeployment, financial compensation, training and early retirement, with the balance among these options varying from one country to another according to the economic and cultural environment. Harald Wiedenhofer stressed the need to help those losing their jobs as much as possible to find another (see EFFAT presentation in Annex 3).

Giorgio Sandulli (Italian federation) presented the Italian example (see example of good practice in Annex II to the CSR report). 15 factories out of 19 had been closed down. 67% of production had been relinquished compared to production in 2005. The trade unions had been strongly represented and had participated in the introduction of a plan worked out at national level with representatives of employees and employers, the ministry of agriculture and the ministry of labour. Apart from voluntary departures and early retirements, there had been no staff redundancies. Substantial investments had been made to create alternative activities (biofuels, business activities). 15 regional conversion agreements had been signed, providing for new activities, start-up date, number of employees, etc. During the interim period, a replacement income was paid to the workers by the public authorities and by the company, amounting to about 1,600 Euros/month. The authorities had also paid out exceptional financial aid to seasonal workers who had lost their work opportunities.

II – Social responsibility in the European sugar industry

CSR report 2007

Dominique Lund quickly presented the 5th report on implementation of corporate social responsibility in the sugar industry in 2007 (see Annex 4). The political context (Part I) was described briefly: to the drastic reform of the sugar regime over a short period was to be added the risk of imports from third countries which could not be absorbed on the European market, which would result in production quotas being reduced even further. This message was summed up in the conclusion to the report and it was essential for the future of the sector for policy-makers, at both European and national level, to be persuaded to adopt a clear and coherent vision on agricultural policy (reform of the sugar regime) and external trade policy (EPAs, WTO, free trade agreements).

Part II, “Managing restructuring”, had already been addressed in the morning. Part III, “Implementation of the Code of Conduct”, was commented on by Jean Pierre Pinasseau (France), who mentioned in particular the standards on “vocational training” and “restructuring”, on which a special effort had been made in 2007. He summarised the examples of good practice presented by France³, Italy⁴ and the Czech Republic⁵ in the fields of health and safety and restructuring (see Annex II to the report).

³ Update of the professional state-of-the-art guides (spread of legionnaire’s disease, safety in sugar silos, use of formol, unloading of beet, creation of an Internet site).

⁴ Introduction of a national social plan in Italy on the occasion of the closure of 15 factories.

⁵ Programme of free vaccination at the workplace.

The Polish delegates underlined the importance, in their view, of the standards in the Code of Conduct equally being complied with in all countries, particularly in the new Member States.

The 2007 report was accepted by the sectoral committee and would be posted as the final report on the CEFS-EFFAT joint site www.eurosugar.org as soon as possible, along with the examples of good practice (see report in Annex 5).

Vocational training and employability

Recalling that the sugar industry's Code of Conduct stated that "in case of restructuring having a social impact as provided by the present Code of Conduct [...], steps are taken to improve the employability of employees" (Standard 7 – Restructuring), Jean Pierre Pinasseau opened the debate by presenting some reflections connected with improving the employability of employees. He referred in particular to the following aspects (see presentation in Annex 6) :

- . finding a common definition
- . legislative and regulatory context
- . existing tools
- . mechanisms that can favour employability
- . personnel concerned.

By way of an example of bridges that could lead from one job to another, he recalled that in France 13 professional qualification certificates (CQP) had been harmonised and were recognised by 20 branches of the agri-foodstuffs industry (e.g. machine operator or maintenance agent - see example of good practice posted on Eurosugar within the framework of vocational training). Training was thus recognised as a good way of allowing recognition of skills and transferability of qualifications. But what was done in one country was not necessarily transferable to other countries (J.J. Cazaumayou – France).

Peter Rasmussen (Danisco – Denmark) indicated that in Denmark, Finland, Lithuania and Sweden the process of factory closures had been largely anticipated. Particular attention had been paid to every person individually, according to their specific needs, with a view to helping them to find another job. 90% of the workers concerned had managed to find a job. He also mentioned the correlation between employability of workers and the competitiveness of the company. It would be important in the future to encourage motivation of the personnel to develop new skills. The company had to make means available and these had to be used.

A debate then took place on the fact that this acquisition of skills had to be incorporated in the normal life of the company and could not be seen solely in terms of the need to find another job, which did not constitute an optimum moral environment. Improving skills at all levels in the company had to become standard behaviour, and this was linked to the responsibility of both the employer and the worker. Tomas Buder (Austria) also mentioned the role of the age of workers in a training plan: the motivation was no longer necessarily the same for older employees, who on the other hand could pass on their experience to the youngest.

The question of the existence in different countries of bodies responsible for reintegration of workers into the labour market was also tackled. In Belgium cooperation was developing among different bodies, such as placement units, national employment agency, food training institute. According to the skills profile and the individual project, State-recognised training could be provided. The employment agency also helped in the search for a job in the same

region. An example of good practice had also been presented by the Austrian delegate last year (Arbeitsstiftung Agrana).

Harald Wiedenhofer underlined that it was no longer possible to guarantee long-term employment to employees within the same company; on the other hand, it was important to provide them with means of improving their skills and, if necessary, helping them to find another job. This theme merited more in-depth reflection on the part of the social partners, on the basis of concrete elements.

He proposed to reactivate a CEFS-EFFAT ad hoc group in order to present proposals and move ahead in the debate on the theme of improving employability in the sugar industry. Several EFFAT delegates had already indicated their desire to take part in this working group (Austria, Germany, Denmark, France, Poland, United Kingdom). For its part, the CEFS would make its representatives known after its next social meeting, end of May.

III – Major economic challenges facing the sugar industry

Meeting of the Management Committee for Sugar on the 28.2.2008

Alessandro Albani (DG AGRI – Sugar Unit) informed the meeting of the conclusions of the Management Committee for Sugar held that same day. He related the terms of the press release by the Commission IP/08/306 of the 26.2.2008 (see Annex 7). As the volume of relinquishment of quotas reached at the end of the first phase seemed acceptable, the Commission had decided not to introduce a preventive withdrawal at this stage. Depending on the results achieved by the end of the second phase, the Commission would consider the possibility of a preventive withdrawal in October.

Simon Harris (UK – British Sugar) asked if there would be an export programme in 2008/09. If this was not the case, the absence of preventive withdrawal would bring a risk of too much production with no possibility of exporting. A. Albani indicated that refunds should have come to an end in 2006/07. An exceptional situation in 2007/08 had led to this measure being prolonged. The situation was different in 2008/09, but if there was a surplus a withdrawal could be made in October. In any case, this was a political decision. Simon Harris called for prudence.

Reformulation of products and platform on competitiveness

Michel Coomans (DG Enterprise) presented an analysis of the competitiveness of the European agri-foodstuffs industry and the sugar industry, along with a few reflections on the reformulation of products, and described the work to be carried out by a high-level group on competitiveness in accordance with the proposal by Commissioner Verheugen in November 2007 (see Annex 8). This group should comprise around thirty people, including Commissioners Fischer Boel, Kyprianou and Verheugen, together with a number of ministers (for agriculture or industry) and heads of multinationals. Associations could also make a contribution. Three meetings were planned over 10-12 months, the first at the end of March. A so-called “sherpas” group was to coordinate the activities. Working groups were also to be set up, to represent horizontal and vertical interests such as those of sugar, which he referred to as a key ingredient.

Some figures characterising the sugar sector did not seem to be correct, particularly with regard to sugar consumption (not 62 kg/pers/year, but between 30 and 40 kg/year, including other caloric sweeteners⁶). It was agreed that the CEFS would transmit full details and additional information to DG Enterprise (Unit F4). It was also underlined that as the sugar sector was undergoing major restructuring, its competitiveness and export capacities could not be compared to that of other countries around the world enjoying very different economic conditions. Due to the reform of the sugar regime, the EU was in fact turning from a net exporter into a net importer. EFFAT also indicated that, according to observations by the parent organisation UITA⁷, after the denunciation of the sugar protocol the ACP countries themselves felt extremely weakened in their export capacity. For his part, Harald Wiedenhofer wondered about the political will of decision-makers to maintain a competitive sugar industry in the EU.

The CEFS and EFFAT informed Mr Coomans of their interest in the work to be carried out by the high-level group and their desire to make their contribution concerning sugar (nutritional aspects, reformulation of products) in what was considered to be the most appropriate manner.

Negotiations at the WTO

Simon Harris presented the status of the WTO negotiations in course. Even though, because of the American elections, it was not certain that an agreement at the WTO could still be accepted by the United States under Mr Bush's presidency, the technical negotiations were continuing unabated in Geneva and there was a strong will on the part of the EU and the WTO to try to finish them as soon as possible. In these conditions, if the Commission negotiator accepted the current agricultural proposals by the WTO (latest Falconer document on modalities), this would definitively undermine the reform of the sugar regime. In particular, the designation of sugar as a sensitive product would allow an unmanageable reduction in customs protection to be avoided but would make it necessary to accept a tariff quota likely to increase imports substantially, which would therefore mean going beyond the reduction in quotas of 6 million tonnes provided for in the reform (see presentation in Annex 9).

EPA negotiations

Patrick Pagani described the current position in the negotiations entered into by the EU with the 77 African, Caribbean and Pacific (ACP) countries for the so-called "Economic Partnership Agreements". These agreements, which would split these countries into six regions, would replace the present Cotonou agreements.

In particular, with the Sugar Protocol having been denounced on the 1.10.2009, import quotas would become free with no duties chargeable. In practice, this was an extension of the "Everything But Arms" Regulation to all ACP countries. Patrick Pagani placed the accent on the need to establish a realistic and applicable safeguard clause and on compliance with the statement by the Commission that it would examine the situation every time that imports from the LDCs exceeded those in the preceding year by 25% (taking up the EBA declaration - see presentation in Annex 10).

⁶ According to the FAO, in 2003, for the EU of 15, consumption of sugar and other caloric sweeteners was estimated at 40.2 kg/pers/year. In 2008, total EU consumption of sugar and isoglucose was 16.5 million, for 497 million inhabitants (Eurostat 2008 EU of 27), which would give a consumption of about 30 kg/pers/year.

⁷ IUF-UITA in Geneva.

Preferential rules of origin

Due to lack of time, it was not possible to present this theme at the meeting. Two systems of preferential rules of origin were proposed in the short term: the present GSP, with a few improvements and adjustments, already applied to the EPAs. In a few years, the latter should change over to the new revised GSP which was under discussion within the Commission's Customs Code Committee. If accepted by the Member States, this new system would come into force on the 1.1.2009, at the same time as the new generalised scheme of preferences for 2009-2013. There seemed to be differences of opinion between the Commission, the Member States and industry. Whatever the case might be, the measures proposed for the sugar industry were satisfactory overall. The essential points for our industry were as follows:

- . mixtures of sugar with another product should not confer origin (this was provided for in the Commission's draft);
- . refining should never confer origin (this was not yet confirmed in the current draft);
- . sugar and products containing sugar had to be excluded from cumulation (this too was still to be confirmed in the current draft);
- . the tolerance rule for non-originating materials in the final product could not exceed 15% (this was provided for in the current text, but was to be definitively confirmed during the debates in course).

Like the WTO negotiations and the EPA negotiations, the rules of origin had to remain compatible with the sugar regime, otherwise there could be perverse effects with potentially extremely important consequences (uncontrolled imports, circumvention). See presentation in Annex 11.

IV – Working programme of the social partners for 2008

To the working programme formulated by the social partners (see Annex 12), Harald Wiedenhofer proposed adding the work envisaged on employability in the sugar industry. In addition, several joint letters had been or would be sent out shortly to the Institutions (letter to Mr Verheugen of the 20.2.2008 – Open letter to the Parliament and the Council of 3 March 2008).

V – A.O.B.

Mr Carlos Lopes (DG Emploi) confirmed that the study on representativeness in the sugar industry launched at the beginning of 2007 by the Commission and being carried out by the Dublin Foundation was on the point of completion. The final report should be published before summer. **In any case, the social partners in the European sugar industry would be officially recognised in it by the Commission as representative partners.**