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COMMUNICATION TO THE COMMISSION

**on application EGF/2009/013 DE/Karmann received from Germany for
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Germany submitted application EGF/2009/013 DE/Karmann for a financial contribution from the European Globalisation Adjustment Fund (hereinafter "EGF"), following the redundancies in the enterprise Karmann.

1. The application was presented to the Commission on 13 August 2009 and supplemented by additional information up to 23 October 2009.
2. The application meets the conditions for deploying the EGF as set out in Article 2(a) of Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 on establishing the European Globalisation Adjustment Fund¹ and was submitted within the deadline of 10 weeks referred to in Article 5 of that Regulation.

SUMMARY OF THE APPLICATION AND ANALYSIS

(a) Analysis of the link between the redundancies and structural changes in world trade patterns:

3. The application relates to 2 476 redundancies in different parts of the Karmann group, of which 1 618 occurred during the reference period , 803 before the reference period and 55 after the reference period

In order to establish the link between the redundancies and structural changes in world trade patterns, Germany argues that the automotive manufacturing industry in the EU has been seriously impacted by a change in world trade patterns, in particular a significant reduction of the EU market share. The application cites² a reduction in EU market share (in terms of the numbers of cars produced) from 32,1 % in 2000 to 25,8 % in 2008, to the advantage of the BRIC countries (Brazil, Russia, India and China), the market share of which increased from 8,9 % in 2000 to 21,2 % in 2008.

4. The German authorities further argue that the impact of the structural changes in world trade has been exacerbated by the global financial and economic crisis and the ensuing reduction in demand for motor vehicles since the second half of 2008.
5. In conclusion, it is the opinion of the Commission services that the 2 476 redundancies in Karmann can be linked, as required by Articles 1 and 2 of Regulation (EC) No 1927/2006, to structural changes in world trade patterns, which have led to a significant reduction of the EU market share in the production of motor cars.

(b) Demonstration of the number of redundancies :

¹ OJ L 48 of 22.2.2008, p. 82

² Price Waterhouse Coopers Automotive Institute, AUTOFACTS Q2/2009

6. Germany submitted this application under the intervention criteria of Article 2(a) of Regulation (EC) No 1927/2006, which requires at least 500 redundancies over a four-month period in an enterprise in a Member State, including workers made redundant in its suppliers or downstream producers. The application cites a total of 1 618 redundancies during the period of reference (from 1 July 2009 to 31 July 2009) in Karmann. These redundancies were calculated in accordance with the provisions of the 2nd indent of paragraph 2 of Article 2 of Regulation (EC) No 1927/2006.
7. It is the opinion of the Commission services that the total number of job losses in Karmann during the reference period is sufficient to comply with the criteria of Article 2(a) of Regulation (EC) No 1927/2006.

(c) Explanation of the unforeseen nature of those redundancies:

8. The German authorities argue that the redundancies were unforeseen for the following reasons. Firstly, there has been a recent change in manufacturing strategy of the big car manufacturers, who now seek to reintegrate the production of small series into their own production lines, whereas these series were previously outsourced to manufacturers such as Karmann, specialised in small series of so-called 'niche car'³ models. Secondly, the dissociation between Chrysler and Daimler in 2007 caused the phase-out of the production of the Chrysler Crossfire, earlier than planned. Thirdly, the failure in 2008 to find a new investor in Karmann, despite intensive and promising negotiations with potential investors, forced Karmann to take more drastic measures. Finally, the financial and economic crisis impacted also the profitable parts of the enterprise, such as the tool-making activities and the manufacturing of roof systems for cabriolet cars.

(d) Identification of the dismissing enterprises, suppliers or downstream producers, sectors, and the categories of workers to be targeted:

9. The application concerns 2 476 redundancies in two companies of Karmann. 1 618 redundancies occurred in Wilhelm Karman GmbH, with registered office in Osnabrück and 858 redundancies in Karmann-Rheine GmbH & Co.KG with registered office in Rheine. Of these 2 476 redundancies 1 618 occurred during the reference period, 803 before the reference period and a further 55 after the reference period. Of these 2 476 redundant workers 1 793 are targeted for assistance.
10. Of the 1 793 workers targeted for assistance 92,4 % are male and 7,6 % female. 96 % are EU citizens and 4 % are non-EU citizens. 80,0 % belong to the 25 to 54 years age group, 19,5 % are between 55 and 64 years of age and 0,5 % belong to the 15 to 24 years age group. Of the 1 793 workers targeted for assistance 12,2 % have a long standing health problem or disability. In terms of professional categories⁴, 61,5 % are 'craft and related trades workers', 18,6 % belong to the category 'elementary occupations', 8,6 % are 'plant and machine operators and assemblers', 6,9 % are 'clerks', 2,1 % belong to the category 'technicians and associated non-technical professions', 1,1 % are 'service workers and shop and market sales workers', 0,6 %

³ Karmann produced inter alia the A4 Cabriolet for Audi, the Crossfire for Chrysler, the SLK for Mercedes.

⁴ Categories based on the International Standard Classification of Occupations, 1 digit, (ISCO-88)

belong to the category 'professionals' and another 0,6 % are 'skilled agricultural and fishery workers'.

(e) Description of the territory concerned and its authorities and stakeholders:

11. The territories concerned by the redundancies are the cities of Osnabrück and Rheine, where the companies are located. At NUTS II level, the regions concerned are Weser-Ems and Münster.

The main responsible authorities are the Osnabrück, Nordhorn and Rheine Labour offices, the central office of the Federal Employment Office, the regional directorate of the Federal Employment office in North Rhine Westphalia and Niedersachsen-Bremen, the Ministry for Labour, Health and Social Affairs of North Rhine Westphalia and the Ministry for Economy, Labour and Transport of Niedersachsen. Other stakeholders are the administrative office of IG Metall in Rheine and Osnabrück, the insolvency administrator Ottmar Hermann and the transfer company Schaffer Success Projekt Rheine/Osnabrück GmbH & Co. KG.

(f) Expected impact of the redundancies as regards local, regional or national employment:

12. The applicant states that the redundant workers fall within the responsibility of three local employment offices: Osnabrück and Nordhorn in Niedersachsen and Rheine in North Rhine Westphalia. The German authorities argue that although in these three areas the unemployment rate is currently below the German average, the number of unemployed persons has increased above the German average (an average increase between June 2008 and June 2009 of 8 % for Germany, against an increase of 18,2 % in Rheine, 19,4 % in Osnabrück and 27,3 % in Nordhorn. It is expected that the workers made redundant by Karmann will lead to a further 6,5 % increase in the number of unemployed in the areas managed by the three local employment offices. Moreover, the number of job vacancies has decreased significantly as a consequence of the financial and economic crisis. Between June 2008 and June 2009 the number of job vacancies decreased by 36,5 % in Osnabrück and by 67,1 % in Rheine.
13. In conclusion, in these circumstances, the redundancies can be seen to have a significantly negative effect on the local and regional economy.

(g) Co-ordinated package of personalised services to be funded and a breakdown of its estimated costs, including its complementarity with actions funded by the Structural Funds:

14. The following types of measures are proposed, all of which combine to form a co-ordinated package of personalised services aimed at re-integrating the workers into the labour market.
- Short-time allowance: This is intended to secure the livelihoods of workers who opt to enter into the transfer company⁵. For the purposes of the EGF application,

⁵ As already explained in SEC(2007)1142 on application EGF/2007/003 DE/BenQ a transfer company is an instrument provided for under German law which can be put in place in case of restructuring with ensuing job losses. The transfer company makes it possible to prepare in a structured manner redundant workers for a new job through coaching, qualification and placement activities.

the short-time allowance can only be included for periods within which the dismissed workers are actively participating in active labour market policy measures that are provided within the framework of the transfer company.

- Basic qualification: This measure aims to improve the employability of migrant and low-skilled workers. It includes a German-language course targeting workers with a migrant background and a vocational training followed by six weeks' work experience placement in the areas of metal or storage/logistics.
- Group qualifications: These target workers with a basic vocational knowledge, and provides them with up-to-date know-how and specific technical knowledge that would enhance their chances of re-integration into the labour market. These include, for example, cutting techniques, driving licenses, quality management, machine operations, forklift driving licence.
- Specific individual qualifications: These make it possible to develop individual competences and skills, which are necessary to acquire some specific jobs.
- Management of qualifications: This covers the identification and electronic registration of the qualification needs of all workers targeted for assistance, the creation of a database with the supply from regional training providers, as well as the interconnection of both databases in order to determine tailor-made qualifications.
- Workshops/peer groups: This aims to offer special coaching in small groups in order to enhance the empowerment of the dismissed workers. Besides participation in the activities in workshops, dismissed workers with a specific vocational background will also be given the opportunity to visit job fairs where they can directly contact potential employers. It is also planned to organise sector or theme specific fairs within the transfer company.
- Counselling for business start-up: Besides the classical courses for those wishing to set up businesses, the measure also provides for an eight-week intensive seminar and a coach to guide the participants during the whole process of setting up a business.
- Support for international job applications: This measure aims firstly to offer the possibility to a limited number of workers of preparing to apply for jobs abroad in co-operation with Eures, including language preparation and cross-border visits to enterprises in a neighbouring country. A second target group for this measure consists of workers with a migrant background who wish to return to their country of origin and set up a business there; this involves in-depth advice on the relevant situation pertaining in their country.
- Placement research: Placement researchers interface with potential employers and identify on the basis of specific job vacancies the most suitable candidates and possible further job specific training needs.
- Mentoring and support, in particular aftercare in case of unemployment: This measure provides support for workers who do not find a new job upon termination of the transfer company. In order to ensure continuity in placement activities, they will retain the same mentoring network as in the transfer company.

15. The administrative expenditure, which is included in the application, in accordance with Article 3 of Regulation (EC) No 1927/2006, covers preparatory activities, management, information and publicity and control activities.
16. The personalised services that are part of the co-ordinated package presented by the German authorities are active labour market measures falling within the eligible actions as defined in Article 3 of Regulation (EC) No 1927/2006. The German authorities estimate the total costs of these services at EUR 9 137 449 and the administrative expenditure at EUR 400 000 (= 4,2 % of the total amount). The total contribution requested from the EGF is EUR 6 199 341 (65 % of the total costs).

Actions	Estimated number of workers targeted	Estimated cost per worker targeted (in EUR)	Total costs (EGF and national cofinancing) (in EUR)
Personalised services (first paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Short-time allowance ('Transferkurzarbeitergeld')	1 793	2 775	4 975 575
Basic qualification ('Grundlagenqualifizierung')	214	2 934	627 876
Individual qualification ('Einzelqualifizierung')	48	3 844	184 512
Group qualification ('Gruppenqualifizierung')	239	3 905	933 295
Qualification management ('Qualifizierungsmanagement')	501	651	326 151
Peer groups / workshops	547	558	305 226
Counselling for business start-up ('Existenzgründerberatung')	42	3 367	141 414
International job applications ('Internationale Bewerbungen')	300	317	95 100
Placement research ('Stellenresearch')	225	1 022	229 950
Aftercare in case of unemployment ('Nachbetreuung Erwerbslosigkeit')	1 275	1 034	1 318 350
Sub total personalised services			9 137 449
Technical assistance for implementing EGF (third paragraph of Article 3 of regulation (EC) No 1927/2006)			

Sub total technical assistance			400 000
Total estimated costs			9 537 449
<i>EGF contribution (65 % of total costs)</i>			<i>6 199 341</i>

17. As regards the complementarity with actions funded by the Structural Funds, the application distinguishes between the EGF package and the initial package of active labour market measures. The initial package for Karmann Rheine GmbH & Co. KG comprises, besides the creation of a transfer company, ESF funding provided by the Land North Rhine Westphalia for additional placement and counselling activities. For Wilhelm Karmann GmbH, ESF funding is provided by the Land Niedersachsen for additional placement and counselling activities. In addition, Federal ESF funding is made available to provide time-limited, certified qualifications, such as basic qualifications (German language course, basic qualification metal), group qualifications and individual qualifications.

In order to ensure complementarity with other measures at national, regional and local level, the EGF package of active labour market measures has been entirely conceived as a complement to the initial package described above.

The measure concerning international job applications will be carried out in co-operation with the Eures Centre of the Federal Labour Office.

(h) Date(s) on which the personalised services to the affected workers were started or are planned to start:

18. Germany started the personalised services to the affected workers included in the co-ordinated package proposed for co-financing to the EGF, on 1 February 2009. This date therefore represents the beginning of the period of eligibility for any assistance that might be awarded from the EGF (first paragraph of Article 11 of Regulation(EC) No 1927/2006).

(i) Procedures for consulting the social partners:

19. Following the announcements of staff reductions in Karmann the federal Ministry for Labour and Social Affairs initiated discussions on the package of measures and the possibility of EGF support with the social partners. Representatives of the Federal Employment Office, from the trade union IG Metall and from the regional Ministries for Employment also participated in the discussions. A final consultation with all parties concerned took place in July 2009 at the Federal Ministry for Labour and Social Affairs, during which common agreement was reached on the package of measures.

20. The German authorities confirmed that the requirements laid down in national and Community legislation concerning collective redundancies had been complied with.

(j) Information on actions that are mandatory by virtue of national law or pursuant to collective agreements

21. As regards the fulfilment of the criteria set out in Article 6 of Regulation (EC) No 1927/2006, the German authorities in their application:
- confirmed that the financial contribution from the EGF does not replace measures which are the responsibility of companies by virtue of national law or collective agreements;
 - demonstrated that the actions provide support for individual workers and are not to be used for restructuring companies or sectors;
 - confirmed that the eligible actions referred to under points 14 to 16 above do not receive assistance from other Community financial instruments.

22. Management and control systems

Germany has informed the Commission that the financial contribution will be managed and controlled by the following bodies inside the Federal Ministry for Labour and Social Affairs ('Bundesministerium für Arbeit and Soziales'): VI Gruppe Soziales Europa as managing authority and Referat Zb2 as audit authority.

CONCLUSION

23. In conclusion, for the reasons set out above, it is proposed to accept application EGF/2009/013 DE/Karmann submitted by Germany relating to the redundancies in Karmann, as evidence has been provided that these redundancies result from structural changes in world trade patterns which have led to a serious economic disruption, affecting the regional or local economy. A co-ordinated package of eligible personalised services has been proposed. Therefore, it is proposed to mobilise the EGF in response to the German application.

FINANCING

The total annual budget available for the EGF is EUR 500 million. So far, five cases have been accepted for funding in 2009, and a further six cases have been proposed for funding to the Budgetary Authority, amounting to a total of EUR 53 039 047.

Article 12 (6) of Regulation (EC) No. 1927/2006 states that on 1 September of each year, at least EUR 125 million should remain available in order to cover any needs arising until the end of the year.

After deduction of the amounts already accepted or proposed for commitment, an amount of EUR 446 960 953 remains available.

It is proposed to deploy EUR 6 199 341 from the EGF.

THE COMMISSION IS THEREFORE INVITED TO:

- conclude that the conditions for a financial contribution from the EGF in response to application EGF/2009/013 DE/Karmann submitted by Germany are met;
- submit to the budgetary authority a proposal to authorise commitment appropriations corresponding to EUR 6 199 341, as specified in point 16, as well as a request for the

transfer of this amount in commitment appropriations to budget line 04.0501 (European Globalisation Adjustment Fund) in accordance with Article 12 (3) of Regulation (EC) No 1927/2006;

- authorise the transfer of the identical amount in payment appropriations from budget line 04.0217 (European Social Fund (ESF) – convergence) to budget line 04.0501 (European Globalisation Adjustment Fund).