



# EMCC case studies

## Managing large-scale restructuring: the Vermandoise Group of sugar refineries

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This case study is available in electronic format only.

## Introduction

In December 1998, the Vermandoise Group of sugar refineries in France decided to transfer activities from its Beauchamps refinery to other sites, which affected the jobs of some 97 employees. The move resulted in a drawn-out conflict with one of the largest union confederations in France, the General Confederation of Labour (*Confédération Générale du Travail*, CGT), which argued that other viable strategies could have been applied besides the closure of the refinery.

In the 1990s, the market price for sugar began to decline, making it uneconomical to produce excess sugar beyond the quotas (i.e. the amount of sugar guaranteed at intervention prices). Vermandoise felt it would be more economical to transfer its beet quotas from the Beauchamps refinery in the Picardie region to its refinery at Fontaine-le-Dun in Normandy. CGT's position, however, was that the quota market could be used to release some supplementary quotas to Beauchamps, thus permitting it to continue operating as a refinery. As a result of the conflicting positions, much of 1999 was taken up with legal battles between CGT and Vermandoise.

As required by law, Vermandoise devised a social plan as part of the restructuring process. Although Vermandoise's primary aim was to redeploy the 97 workers affected by the closure of the Beauchamps refinery, it also created measures aimed at reindustrialising the Beauchamps site and at revitalising local employment levels.

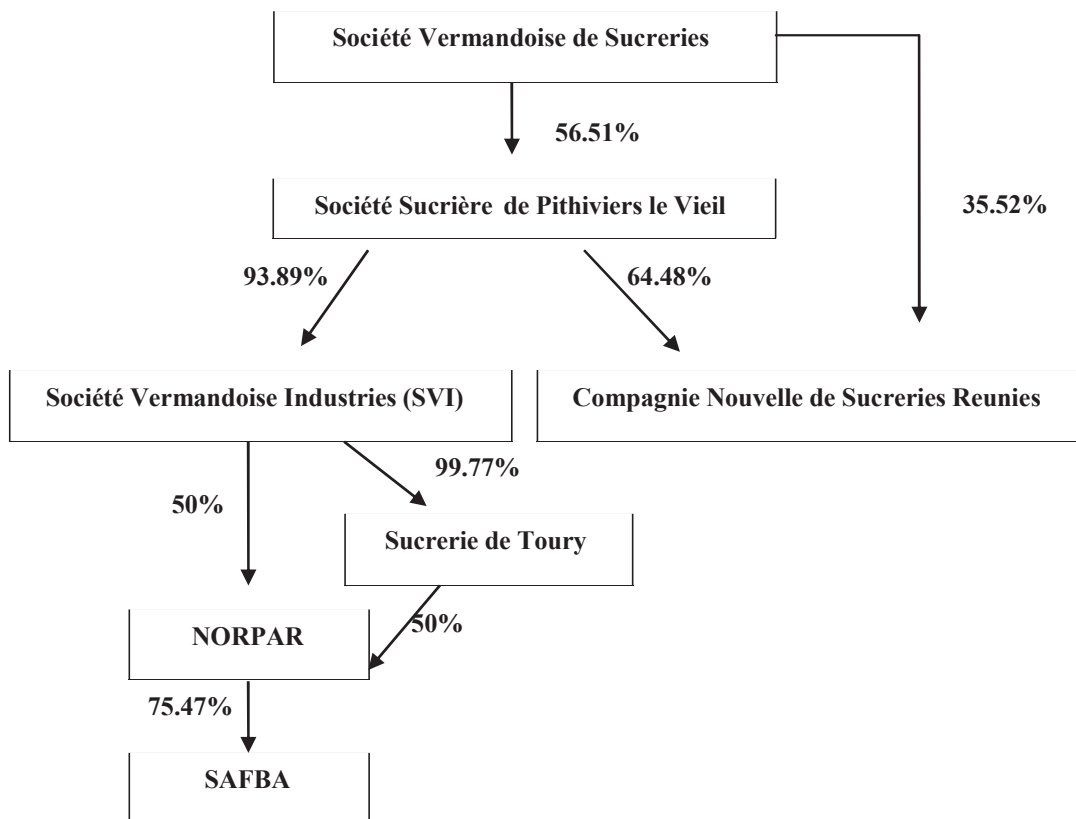
This case study provides an outline of the Beauchamps restructuring case and describes the redeployment, reindustrialisation and revitalisation measures implemented by the Vermandoise Group following the closure of the Beauchamps refinery. The case study underlines important lessons learnt from this case, in particular the importance of early anticipation and of addressing other significant issues in addition to the redeployment of workers.

## Company profile and context

The Vermandoise Group is a family-owned, stock-market traded group of companies that controls sugar refineries and distilleries. Established in 1857, the group appeared on the French stock exchange in 1924, when Société Vermandoise de Sucreries was created to run the sugar refinery at St Emilie, north of Paris, on the eastern side of the Somme department in the Picardie region. In 1964, the company purchased the sugar refinery in Beauchamps, which is also in the Somme department; subsequently, in 1972, it purchased the Société Sucrière de Pithivier-le-Viel refinery at Pithivier in the Loiret department in central France. In 1976, Société Vermandoise Industries (SVI) was created to run the St Emilie and Pithivier refineries. In 1993, SVI bought the refineries at Fontaine-le-Dun (SAFBA), northeast of Paris in the department of Seine-Maritime (the closest site to the now-closed Beauchamps refinery) and at Toury in the Loiret department in central France; these refineries are run as branches of SVI.

Today, the Vermandoise Group runs four sugar refineries in France, two of which also operate as distilleries. The group employs 640 full-time workers and 260 seasonal workers. It produces 500,000 tons of sugar annually and has a turnover of 350 million euro.

Figure 1: Organisational structure of the Vermondoise Group



Source: Information provided by the Vermondoise Group headquarters, 2006

### Local context: Beauchamps

Beauchamps is located in an extremely vulnerable economic zone. The Somme department is characterised by the presence of many small businesses in skilled trades and crafts. While a small number of businesses in the region is growing, many others have been bought up or have since closed down.

Many of the jobs in the region are related to either plumbing and heating (or associated) industries, or to the assembly, decoration, and filling of glass bottles. The region's glass bottle industry has many links with the large St Gobain glass manufacturing plant in Metz, which outsources secondary tasks to enterprises in the region. However, problems have arisen in the industry due to France's conflict with the United States (US) over its support for the Iraq war. This has resulted in a drop in wine sales to the US, which, in turn, has led to a secondary crisis in the French glass bottle industry.

The Beauchamps sugar refinery and distillery is first mentioned in 1865 as the Compagnie Sucrière de la Somme. In 1869, it became Vuignier et Cie and in 1905 it was renamed the Cie Sucrière de la Somme. The refinery continued to expand throughout the end of the 19th century and during the first three-quarters of the 20th century. In 1964, it was purchased by the Société Vermondoise de Sucrierie.

In 1869, the Beauchamps plant employed some 178 workers; by 1939, the refinery employed 400 workers during the refinery season and 240 workers during the off-peak season. At its peak, in the 1950s, there were 850 to 900 Belgian and Spanish immigrant workers employed during the refinery season; however, during the early 1960s, the level of immigration began to fall and the number of employees decreased to over 200 people. By 1986, there were just over 100 employees working at the plant.

At the time of its closure, in 1998, the Beauchamps refinery counted 97 full-time employees. Although its closure did not therefore represent a major restructuring event, it was nevertheless critical for the town, which only had a population of about 1,000 people in 2005. In 1999, 462 inhabitants of the town, between the ages of 20 and 59 years, were part of the town's workforce. Overall, a total of 84% of the town's population had work.

The plant's closure not only posed a threat to the number of jobs in the area. The level of unemployment in the area was already high to begin with, and many people were dependent on the refinery because they were either seasonal employees (around 20 workers) or they were in some way connected to the refinery as sub-suppliers. In addition, there was the risk of a loss of identity: it seemed like there had 'always' been a refinery in Beauchamps, and for a quarter of a century it had been part of the Vermandoise Group. The town would also lose a considerable proportion of enterprise tax (*taxe professionnelle*) of about 400,000 euro to 500,000 euro. This loss was however partly compensated for by the state on a sliding scale, starting at 70% in the first year and falling to 30% in the second year.

### Sectoral and geographic context

The operation of sugar refineries can be divided into two main annual periods: a short production season, starting around September, where the sugar beet is refined into sugar; and an 'off-peak season' for the rest of the year where the plant is disassembled, cleaned and repaired, reassembled and tested.

By 1998, the length of the production season at the Vermandoise refineries in general, and at Beauchamps in particular, was well below the French average. In contrast to the French national average of 80 days and the northern European average of 90 days, the Vermandoise Group's average production season lasted 66 days, and 58 days at the Beauchamps plant. The difference compared with northern Europe can be partly attributed to climatic conditions (for example, the UK has a milder climate and a longer sugar beet season), partly to quota differences, and partly to the fact that northern European refineries had already been through a round of restructuring.

In addition, if one divided Vermandoise's overall sugar quota by the number of refineries it owned, then Vermandoise only produced 70,000 tons of sugar at intervention prices per refinery. In comparison, the figure for France was around 85,000 tons, on average, and even higher for northern European countries.

Table 1: *Sugar quotas per refinery in northern Europe, end of 1998*

|                            | Germany   | Netherlands | Great Britain | Denmark | Sweden  |
|----------------------------|-----------|-------------|---------------|---------|---------|
| Total quota in tons        | 3,450,000 | 872,000     | 1,144,000     | 425,000 | 370,000 |
| Number of refineries       | 34        | 5           | 9             | 4       | 3       |
| Quota per refinery in tons | 101,471   | 174,400     | 127,111       | 106,250 | 123,333 |

Source: *Vermandoise Group, 2006*

Therefore, Vermandoise was seriously lagging behind its competitors: it had a short season and small quotas per refinery; also, over two-thirds of its expenses were fixed or structural costs and not directly related to production.

In the 1990s, the market price for sugar began to decline, falling by about 50% over the period 1995 to 1999, according to the New York Bureau of Trade. This made it uneconomical to produce excess sugar beyond the quotas. Vermandoise's management thought that the impending reform of EU sugar policy would be implemented sooner or later; at the time, they estimated it would be implemented in 2001. Therefore, they felt that it would be better to anticipate these changes and to take action, rather than merely succumbing to whatever occurred at a later stage.

In contrast, the position of the union CGT was that the quota system should be maintained but that the distribution system should be changed. While long-term European trends at the time pointed to the disappearance of quotas, the union was trying to counterbalance this by suggesting that quotas be maintained and developed, but at the same time redistributed more equitably in order to favour the natural composition of each country's resources (e.g. proper soil conditions). Since France possessed large areas of unused agricultural land, which could potentially be used for larger-scale beet production, the country could thus maintain its status as the main European sugar producer while remaining competitive.

### *Rumour about Beauchamps closure*

'One rumour simply won't go away: that Beauchamps – which has existed for over 130 years – has been gambled away in a dice game between sugar industry bosses who were trying to win quotas from each other!'

*Le Courrier Picard*, 12 December, 1998

At the time, quota legislation had been relaxed, permitting inter- and intra-enterprise quota transfer. The transfer of beet quotas from Beauchamps to the nearby Vermandoise refinery at Fontaine-le-Dun (about 50% of the Beauchamps quota) enabled the Vermandoise group to cut costs, since the refineries have to pay for beet transportation from the farms to the refineries. Other quotas were exchanged with competing refineries, which then transferred similar quotas to other Vermandoise refineries closer to the beet fields. The union's position was that the quota market could be used to release some supplementary quotas to Beauchamps, permitting it to function more economically. Consequently, the CGT union proposed several solutions, which would have permitted the Beauchamps plant to continue operating as a refinery.

### **National legislative context**

In general, French law pertaining to redundancies is restrictive, particularly in relation to collective redundancies, although a more restrictive law passed in 2001 has been temporarily suspended for further social partner negotiation.

Acceptable grounds for redundancy cited by the Labour Code at the time were: 'serious economic difficulties which the company has been unable to resolve by any other means', technological advances 'threatening the company's survival' or 'reorganisational requirements which are vital to keep the company in business', along with the possibility for other grounds. Therefore, the law did not forbid companies that were making a profit from firing employees. Regulations that protected companies experiencing financial difficulties also existed, and commercial courts could take decisions permitting restructuring, while at the same time freeing subsidies to help the affected workers. The legislation also stipulated that a social plan should be drawn up to limit the number of redundancies and to propose redeployment measures, including relocation, for the affected employees.

In France, companies with over 50 employees must have an elected works council or, if the company is composed of several smaller units, an elected central works council. The company must inform the works council of everything that affects the company's economic situation. In particular, the works council must be informed immediately about any decision concerning closures. Failure to do is considered a serious breach of the law.

A company that is considering closing its operations must first meet with the works council to hear its opinion before actually deciding on the closure. The meetings should address two separate issues: the economic side, called 'Chapter IV', and the social side, called 'Chapter III'. At the time, the law seemed to indicate that Chapter IV negotiations needed to be completed before Chapter III negotiations commenced.

Current French law – also stipulated under the suspended 2001 changes – states that the works councils must be presented with particular information, including a justification for the redundancies and their number, the occupational

categories affected, criteria for the order in which redundancies are to occur, and a timetable for redundancies. The works council can then put forward suggestions relating to the proposed measures for compensating and assisting those made redundant. Subsequently, the employer has an obligation to give an official response, on which the works council has the right to get an expert opinion. In addition, the Ministry of Labour and its officials have the power to monitor the social plan that is agreed upon, or in the absence of agreement, that is implemented by the enterprise. At the time of the Beauchamps closure in 1998, similar legislation requiring comparable measures was in effect.

However, there was no legislation at that time regarding enterprise reindustrialisation duties; this has since become law, and enterprises with over 1,000 employees have an obligation to ensure the reindustrialisation of the sites that they close.

## Outcome of Beauchamps closure

This case study outlines two sets of outcomes arising from the closure of the Beauchamps sugar refinery. The first outcome relates to a set of legal judgments, which the union feels has had an effect on Beauchamps employees or which has set a precedent for others; the second outcome pertains to statistical results arising from the implementation of the social plan.

### Legal judgements

CGT emphasises that several major points of the final social plan were the result of persistent legal actions taken by the union.

The original social plan included only the full-time workers; however, there were also almost 20 seasonal workers who had worked at the refinery on a yearly basis for up to 25 or 30 years. The courts ruled that these workers were also to be covered by the social plan, and that steps were to be taken, for example, for redeployment, continuing education and allocations. This set a precedent for the sugar industry.

The social plan also obliged Vermandoise to reduce the working week during the refining season, in order to accommodate the employees being relocated. During peak season, the working week had counted up to 52 hours, which was reduced to 42 hours. This represented an important development for the sugar industry as a whole.

In the end, the employees who were dismissed received compensation following a Supreme Court of Appeal ruling, which stipulated that their dismissal was without real and serious cause and that Vermandoise had not respected the legislation outlining the procedures of restructuring processes.

CGT sees the ‘Michelin Amendment’ to the law – resulting in the adoption of a 35-hour working week – as being an indirect result of this and other cases, although the amendment remains very limited in its application. The amendment obliged employers to have concluded, or to be in the process of concluding, a working time reduction agreement before they can inform trade union representatives of their intention to make redundancies and to draw up a social plan.

### Implementation of the social plan

The social plan was divided into three parts: redeployment of the affected employees; reindustrialisation of the refinery site and grounds; and revitalisation of regional employment.

The redeployment project was carried out with the help of ESSEL, a private company specialising in redeployment, competence assessment, and recruitment. Of the 97 affected employees, only five are currently unaccounted for in the labour market.

Table 2: *Outcomes for the 97 refinery employees affected by Beauchamps closure*

|   | <b>No. of people</b> |
|---|----------------------|
| ▪ Retained at the Beauchamps site (Somme)                           | 3                    |
| ▪ Relocated within the group to St Emilie (Somme)                   | 3                    |
| ▪ Relocated within the group to Pithivier (Loiret)                  | 7                    |
| ▪ Relocated within the group to Fontaine-le-Dun (Seine-Maritime)    | 32                   |
| ▪ Relocated within the group to Toury (Loiret)                      | 1                    |
| <i>(Total employees still working within the Vermandoise Group)</i> | <i>(46)</i>          |
| ▪ Retired   | 2                    |
| ▪ Early retirement  | 12                   |
| ▪ Disabled or long-term illness                                     | 4                    |
| ▪ Deceased  | 6                    |
| ▪ Relocated to external enterprises                                 | 22                   |
| ▪ Refused relocation or unknown – probably unemployed               | 5                    |
| <i>(Overall total)</i>  | <i>(97)</i>          |
| Total costs of ESSEL redeployment activities: €265,668              |                      |

Source: *Information provided by the Vermandoise Group headquarters, 4 March 2004*

The second part of the process involved the reindustrialisation of the refinery site and grounds. This was carried out as a collaborative exercise between the enterprise (notably Daniel Delloye, former technical director of the Beauchamps refinery and Managing Director of Société Vermandoise Industries, SVI), the Beauchamps town council and mayor's office and the Chambers of Commerce and Industry of the Picardie region. The overall objective was to attract companies interested in making use of the refinery buildings and adjacent land. The buildings offered various forms of infrastructure and the refinery's land was quickly rezoned for the creation of a business park and for housing use. This effort attracted a total of 98 jobs, 16 of which were created after the businesses had established themselves on site.

Table 3: *Enterprises established in Beauchamps site facilities or in new buildings on refinery grounds*

| Enterprise name     | Current no. of employees | No. of new jobs created since establishment of enterprise on site |
|---------------------|--------------------------|---|
| MOPM                | 12                       | 2   |
| Metelle             | 27                       | 2   |
| Deme                | 23                       | 2   |
| Scieries St Jacques | 9                        | 4   |
| COINT Pneu          | 1                        | 1   |
| PSP                 | 15                       | 3   |
| Sommalev            | 7                        | 1   |
| LDGA                | 3                        | 1   |
| Val Service         | 1                        | 0   |
| <b>Total</b>        | <b>98</b>                | <b>16</b>   |

Source: *Mayor's office, Beauchamps, February 2006*

In addition, plans are underway for the establishment of a small supermarket in one of the onsite refinery buildings, which will create approximately 30 new jobs.

The cost of this part of the project is difficult to assess. The buildings and adjacent land were sold to enterprises and the town council at 40% below the market price, according to Vermandoise.

The third part of the project involved the external revitalisation of the local employment market. This was managed by Francis Perin from SODIE, a private company specialising in local and regional economic development, redeployment and mobility. Mr Perin was given the task of assessing existing small and medium-sized enterprises (SME) to identify those that were on the verge of expansion. He then created a case file to present to the Vermandoise Group, which, after it approved the file, released funds as loans to these enterprises on the condition that a certain number of extra jobs would be created over a three-year period.

Originally, the project aimed at creating 50 new jobs. During the three-year timeframe, some 66 jobs were created and, as of February 2006, SODIE further reported that a total of 112 jobs have been created in these enterprises.

Table 4: *Outcome of SODIE's regional revitalisation measures, 2000–2004*

|  |                      |
|--|----------------------|
| <b>Employment</b>  |                      |
| Original objective   | 50 new jobs          |
| Total jobs created (March 2004)  | 66 new jobs          |
| Follow-up total jobs created (as of 2006)  | 112 new jobs         |
| <b>Loans</b>   |                      |
| Loans paid out (October 2000–November 2001)  | €195,135.00          |
| Loans repaid as of 13 February 2006  | €150,932.77 (77.35%) |
| Loans outstanding:   | €44,201.97           |
| Of which:  |                      |
| were written off   | €30,864.12 (15.82%)  |
| were difficult to collect  | €3,471.97 (1.78%)    |
| have a good chance of being collected  | €13,337.85 (6.84%)   |
| <b>Expenses</b>  |                      |
| Fees paid to SODIE as of March 2004<br>(including fixed fees, bonus per job created, travel expenses,<br>and loan administration fees) | €162,542.00          |

Source: *Francis Perin, SODIE, 2006*

The project thus resulted in a net increase of 123 jobs in the region (16 onsite jobs, 112 jobs in the region, minus the five people who were not redeployed). In addition, it is likely that 30 more new jobs will be created within the next six months, if the plans for the supermarket go ahead. Moreover, of the 97 employees at the former Beauchamps refinery, 92 employees kept their jobs through redeployment.

The total direct cost of the abovementioned measures to Vermandoise was just over 462,000 euro. This sum comprises the fees paid to SODIE and ESSEL for external redeployment, reindustrialisation and revitalisation of the area, as well as write-offs on loans not repaid and categorised as 'difficult to collect'. It does not include internal redeployment expenses or subsidies outlined in the social plan or as required by law. Figures regarding the value of the buildings and land sold under market price are not available, nor is information about the origin of loans, and possible national or EU subsidies, given to enterprises establishing themselves or constructing new buildings on refinery sites or grounds.

## The restructuring process

The entire restructuring process at Beauchamps can be categorised according to four distinct phases. The first phase concerned the decision-making, negotiation and litigation process involving trade unions and employee representatives. The next three phases – redeployment, reindustrialisation and revitalisation – occurred simultaneously but in parallel. Redeployment concerned the attempts made to find work or retirement solutions for all of the 97 employees affected by the Beauchamps refinery closure. Reindustrialisation related to efforts made to attract already existing (and new) businesses to the refinery buildings and grounds. Revitalisation involved the efforts made to aid expansion and job creation in already existing enterprises in the local region.

### Closing the refinery – decision, negotiation, litigation

CGT and Vermandoise appear to have different and sometimes contradictory analyses of the events concerning the closure, as outlined below.

#### *Vermandoise management viewpoint*

‘When we started thinking about closing Beauchamps in 1998, we had already closed a small refinery in Bihucourt near Arras. It was a bit smaller, about 90 employees, and things went very smoothly. But to be completely honest, the social side of the restructuring process at Beauchamps went very badly, although everything did work out in the end. Things were different, and we should have realised it. We had just bought Bihucourt the year before, and everybody knew that it was going to close. Beauchamps had been part of Vermandoise for over 30 years.’

Stanislas Wedrychowski, Secretary General, Vermandoise Group

On 8 January 1999, after the end of the 1998 sugar refining season, the directors of the Beauchamps refinery held a meeting with two works council representatives, at which details of the restructuring project were presented.

CGT’s view was that the closure represented a strategy to concentrate the group’s production, since Vermandoise had been making considerable profits, and at the time, there was no financial argument that could seriously be presented to justify the closure. The union felt that the Beauchamps refinery had been deprived of proper investment for a decade and had functioned merely as a source of liquid capital for the group.

Thus, the union radically opposed the closure and insisted on the investment needed for the maintenance and development of the refinery. It did not share the group’s opinion regarding the future of the refinery, but felt that it could continue to function. This of course would necessitate ongoing as well as ‘catch-up’ investments in areas that the union saw as having been neglected for years, especially with regard to some of the refinery’s heavy machinery. CGT pointed out that Vermandoise had the economic means for this.

Vermandoise felt that the meetings dealing with economic restructuring (Chapter IV meetings) had gone badly. Meanwhile, the union demanded the opinion of an external expert from SOGEX, an organisation that often works with CGT and which provides auditing, financial and bookkeeping services, as well as legal, fiscal and social assistance to businesses and entrepreneurs. A report was then presented at the subsequent meeting, at which Vermandoise asked the works council, as required by law, to present its official opinion. However, the works council responded that it could not render an opinion because it lacked sufficient information. At this point, the negotiations came to a standstill, and the remainder of 1999 was mostly taken up with a series of court cases, counter-cases and appeals, many of them about procedures and definitions.

The Vermandoise Group wanted to start negotiating on a social plan, but CGT would not and felt that the closure decision had already been unilaterally made by management. Vermandoise felt that CGT was merely dragging things out and withholding its official position, and that as a result, economic negotiations could not be finished before the start of the next season.

CGT took a two-pronged approach: a union mobilisation to preserve the refinery and its production, and a legal and political battle to force Vermandoise to withdraw its plans for closure. Nonetheless, the political conflict was based on union concepts of retaining quotas, and there was no political support for this viewpoint.

In September 1999, Vermandoise was still in the midst of a legal battle with the union and did not start production for the season. During the litigation proceedings, employees went to work for a few months at the group's other refineries; after litigation ended in 2000, the company began authorising the employees to take on full-time posts at these refineries or in external enterprises.

### *CGT union delegate viewpoint*

'Vermandoise attempted to implement its ideas without any previous consultations with us. We took them to court, where the first social plan that they proposed was rejected. This gave us time to regroup and led to another court decision ordering the maintenance of the refinery. Vermandoise did not free the resources for this, and in fact no investments were made, and employees were paid for months for doing nothing at all.'

Gilles Humel, Central Works Council secretary, CGT union delegate

The final court case dealing with the Chapter IV negotiations (related to the economic aspects of the restructuring) did not end until January 2000. Although the company had presented a social plan in August 1999, negotiations had not even started. In keeping with its strategy of opposition, the union refused to sign, citing the lack of completion of the economic part of the negotiations.

### *Court ruling against CGT union*

On 16 November 1999, the court at Péronne issued a judgement against the CGT union, confirming the social plan as presented by Vermandoise. At this point, the 30 workers who had not been redeployed to other Group refineries received their notices of dismissal, according to *L'informatateur* on 26 November 1999.

'The CGT emphasises that of the 47 employees redeployed internally, 30 workers have employment at the refinery at Fontaine-le-Dun until 31 December 1999. After this date, nothing is guaranteed. In addition, they have two and a half hours of unpaid travel time every day .... The refinery is closing for economic reasons, while the Vermandoise Group is showing an annual profit of FRF 120 million [over €18.2 million].'

*Le Courrier Picard*, 30 November 1999

Between January 1999 and April 2000, there were 22 meetings of the company and the works council, 11 works council meetings, six central works council meetings, and seven court cases of appeals, each involving a deposition date, process date, and judgement. At the same time, CGT organised national demonstrations and protest actions, including a demonstration at Beauchamps involving over 2,000 participants – twice the population of Beauchamps itself. While the sugar industry unions participated actively, little support was received from the Beet Growers' Unions (CGB) and the Agricultural Union; the former was assured of continued contracts with other refineries, although CGT felt that the other

unions were not as aware as they are today about quota issues and possible strategic approaches. An official strike also took place at the St Emilie refinery in October 1999, because of the transition to a 35-hour working week and unresolved issues regarding frozen salary levels.

### Redeployment

The entire negotiation process was an extremely anxious time for the employees who had to wait around for a result. Until the negotiations were completed, either by signature or by court, the employees could not work at the refinery, nor were they free to take up jobs at the group's other refineries or externally.

#### *The company's social plan and its implementation*

'Due to the difficult economic negotiations, we never got to sign a social agreement with the unions. In August 1999, we did have two days of negotiations with the unions about the social plan, and we thought that we had reached a signable agreement on Friday afternoon, 18 August. Monday morning, however, the unions told us that the plan was unacceptable, and everything started again from zero. So we never got to sign an agreement – which meant that we implemented our own plan without the aid of the unions.'

Stanislas Wedrychowski

According to an internal refinery document regarding the setting up of the social plan:

'The most difficult obstacle for the employee to overcome is that of mobility – especially family mobility. The next most difficult obstacle is to redefine the "small activities" which the employee has outside workplace life at the refinery'

The social plan contained a complete list of the jobs available at other Vermandoise refineries, of which there were enough to redeploy all of the 97 employees. Management realised, however, that most of the employees choosing internal redeployment would want a job at the nearby Fontaine-le-Dun refinery, where there were not enough jobs for everyone; some employees would not want to move to the refineries further away, and some would want to change employers or careers. As part of the social plan therefore, ESSEL set up an initiative aimed at helping employees develop their interests and ascertain their competencies, produce a curriculum vitae (CV) and find appropriate external job openings. The social plan also offered benefits and training to employees who wanted to secure a job with other enterprises, change their career, start their own business, or retire.

All of the jobs offered – both internally and through the employment initiative – were full-time, permanent jobs. Due to the structure of the refinery industry, employees work longer than the standard full-time hours during the refining season on a range of duties, including unloading and washing the beet, and accounting. In the off-peak season, apart from taking holidays, the employees are engaged in different tasks relating to the disassembly, maintenance and reassembly of the refinery machines, which encompasses a range of roles, for example, for mechanics, electricians, office workers, salespeople and welders.

A special state subsidy allowance was granted to employees who were redeployed externally: if the new job paid less, the employee would be compensated for the difference for a period of two years. Half of this compensation was paid for by the Vermandoise Group, and the other half was subsidised by the state. This subsidy was not required by law, but was proposed by the work inspector (inspecteur de travail) of the Labour Inspectorate (*Inspection du travail*), a section of the Ministry of Labour. Companies are obliged to submit their social plans to this inspector, who in turn can reject them within a period of 15 days. The companies can also meet with the work inspector, who can suggest certain points of action or improvement and who can propose such subsidies.

Table 5: Selected benefits of social plan available to the employees

|   |
|---|
| <p><b>Internal redeployment:</b></p> <ul style="list-style-type: none"> <li>▪ Two one-day visits to other refineries, travel expenses paid, loan of car if necessary, hotel expenses paid if the refinery was far away.</li> <li>▪ Assistance with house-hunting – a committee was set up to prepare information about available housing; estate agent fees, travel expenses and moving expenses were paid for by the Vermandoise Group.</li> <li>▪ An additional two weeks of paid leave was granted for moving house.</li> <li>▪ A fixed subsidy of FRF 20,000 (€3,000) was given once the move was complete.</li> <li>▪ ‘Period of adaptation’ (three months) expenses; fixed subsidy of €5.50 per day, subsidy for extra transportation costs (daily or weekly home-workplace travel), loan of car if necessary, subsidy for driver’s license if necessary.</li> <li>▪ Various education and training initiatives targeting the individual and the family.</li> </ul> |
| <p><b>External redeployment:</b></p> <ul style="list-style-type: none"> <li>▪ A redeployment office was set up onsite to deal with issues related to: counselling and follow-up services for individual employees; information about available jobs in local, regional, and national enterprises; training in job-hunting techniques; individual counselling in cases of geographic mobility; professional and personal project planning; personalised job-hunting marketing; and training in starting a business;</li> <li>▪ A global sum of €76,000 was reserved by the group for education and training purposes, including travel and lodging expenses.</li> <li>▪ A fixed subsidy of €7,600 was paid to each employee who secured full-time employment within eight months.</li> </ul>   |
| <p><b>Starting a business:</b></p> <ul style="list-style-type: none"> <li>▪ A fixed subsidy of €15,000 was granted to employees starting their own business.</li> <li>▪ A fixed subsidy of €23,000 was given if the business was in the municipality of Beauchamps.</li> <li>▪ Administrative, legal, and logistics assistance was also offered.</li> </ul>   |

Source: *Vermandoise Group, Social plan, 16 August 1999*

## Reindustrialisation

Reindustrialisation refers to efforts aimed at attracting new and existing enterprises to the refinery buildings and grounds. The primary goal in this respect was to re-establish business activity on the site as soon as possible, and thus to avoid a ‘black hole’ in the centre of the town. From the outset, it was important to attract enterprises that would be able to create jobs, especially for the former refinery employees.

There were two main implementation strategies involved in the reindustrialisation. One was the sale of existing buildings, complete with infrastructure, to enterprises that were willing to relocate or establish themselves in refinery buildings or property. The other was the sale of some of the refinery’s adjacent land to the town, enabling it to establish an industrial park zone on the site. Vermandoise was, by its own account, extremely generous when selling its land and buildings, setting a price level at around 40% lower than the going rate in the local area, thus stimulating greater demand.

Originally, Vermandoise had not considered the possibility of reindustrialisation; its primary concern was to find jobs for all of the 97 affected employees. However, as union negotiations were progressing so badly, national political authorities soon began to take an interest in the case. In June 1999, the Ministry of Agriculture called a meeting with Vermandoise, along with a representative of the regional administration, the local member of parliament, the Mayor of Beauchamps and CGT. At this meeting, the ministry told the actors that the site needed to be revitalised, otherwise the closure would be catastrophic for the city and region.

As representatives from the main Vermandoise office did not have much experience in revitalisation activities, the national authorities referred them to SODIE, which was then responsible for revitalising employment in the area. In parallel with SODIE’s work, Daniel Delloye in collaboration with the mayor’s office initiated a programme to reindustrialise the refinery site. Formerly technical director of the Beauchamps refinery, Mr Delloye is currently

Managing Director of several of the Vermandoise Group's companies and of the mother company, the Société Vermandoise de Sucreries. He originally worked as an engineer, and therefore had expert knowledge about all of the refinery's buildings and machinery and what they could be used for; Mr Delloye also had an excellent relationship with the mayor's office.

### *Cooperation is key to reindustrialisation*

'There are two key issues in reindustrialisation. The first is an ongoing, permanent confidential collaboration with the mayor's office. The second is to "prime the siphon" – to get activity going as soon as possible so that it attracts other activity and carries on through its own momentum, its own laws of physics.'

Daniel Delloye, Managing Director, Société Vermandoise Industries, former technical director, Sucrerie de  
Beauchamps

'It was not only a question of being accessible and participating on a personal level. The municipality had great economic stakes in the success of this project, so of course we were prepared to contribute our share.'

Gerard Vautier, First Assistant Mayor

A synergy was subsequently established between Mr Delloye and the mayor's office, facilitated by the fact that the First Assistant Mayor, Gerard Vautier, had also been an employee at the refinery for 35 years. The mayor and the first assistant were always contactable if someone interested in hiring or establishing an enterprise visited the site. At the same time, Daniel Delloye and two other employees were still working at the site; therefore, there was always someone at the site to greet visitors. Moreover, a client with potential enterprise plans did not have to wait for days or weeks for a response from the mayor's office; instead, Daniel Delloye would arrange a meeting with the mayor at once, or alternatively the mayor would come down in person to the site or send a representative straight away.

### *Maintaining presence on closed site*

'One of the essential points in reindustrialisation is the presence on site of someone with authority who can assure continuity. One of the dead-ends of restructuring is the fact that from one day to another there is suddenly no one on site, no one at the workplace, nothing to create any sense of dynamics. It was very important not only that someone was always here, but also that this person knew the site, knew the buildings and the machinery, knew the work that had been carried out here, knew the region. This doesn't happen often in restructuring processes, and is a very unique feature of the Beauchamps case and contributed greatly to its success.'

Francis Perin, SODIE, Manager of Beauchamps Revitalisation Project

The second key issue in relation to successful reindustrialisation was to ensure that activity was established on the site as soon as possible, since activity both attracts and generates new activity. A scenario, where the refinery site was left abandoned with no activity for several years, would mean that the site would be definitively lost.

Additional actors taking part in the reindustrialisation efforts were the Committee for the Expansion of the Somme (a departmental elected authority stemming from the county council with taxation rights) and the Abbeville Chamber of Commerce and Industry. They participated through their respective networks and by easing administrative access to industrialisation plans. For example, the refinery gave the Chamber of Commerce the power of attorney to obtain construction permits on refinery land. This power of attorney was in relation to land that had not been sold yet, and for

which a price had not yet been set. This allowed for maximum speed in completing the paperwork in cases where an enterprise expressed interest in moving to the site. In addition, the Chamber of Commerce was active in lending money and in securing additional loans for enterprises constructing new buildings on reindustrialised sites. A sawmill and woodworking enterprise, for instance, built a new 2,200 square metre building with funds borrowed from the Chamber of Commerce, FEDER, and various regional and departmental authorities (information from *Picardie la Gazette*, 7 July 2004).

In addition, Vermandoise sold some adjacent land to the town, further back behind the industrial park zone, again at 40% below the market price. The plan was for the mayor's office to proactively establish residential zoning laws so that housing could be built on the site.

### *New enterprises*

The first enterprise that moved onto the site started out well, but has since closed due to the crisis in the glass bottle industry, attributed to the US boycott of French wine around the time of the Iraq invasion.

While it is disappointing when an enterprise leaves or shuts down, from the point of view of reindustrialisation, the most important aspect of this enterprise's establishment was that it happened relatively quickly. Production also commenced quite rapidly; therefore, this enterprise created the first spark of activity that attracted other enterprises.

Another enterprise that moved onto the site is involved in the lifting, handling, transport and storage of heavy machinery. Although the company had already been established in the region, its former location and site were insufficient for its size and activity levels, as it uses cranes to lift and move machinery.

Another company involved in maintaining and repairing automated machinery and cranes moved into one of the large refinery buildings. At that point, therefore, there was an enterprise using cranes, along with an enterprise maintaining and repairing cranes located on the site. Subsequently, an industrial painting company moved in. This company often works as a sub-supplier for the machinery repair company, since the machines and cranes have to be repainted after their repair.

The refinery continued to use its sugar warehouses for a while, but eventually had to stop due to economic reasons. The warehouses were subsequently sold to a transport company, which used them for logistical purposes. Unfortunately, the qualification requirements of the transport company were very different from those of the refinery; therefore, none of the refinery employees were hired. Nonetheless, the transport company has contributed to the synergy of the refinery site through the creation of a new type of activity.

### *New activity on the refinery site*

'For example, the St Gobain glass factory in Metz would contract the transport company to ship a quantity of pallets of bottles to a buyer. The condition of the contract, however, would be that the transport company come and get the bottles immediately, but not deliver them until the buyer gave the word. So, the transport company needed a warehouse, and was delighted to find one already built and ready for use.'

Daniel Delloye

Aside from the companies that have moved into refinery buildings, some companies have also constructed new buildings or are in the process of buying refinery land to do so.

### *Union criticism of reindustrialisation*

‘Reindustrialisation was important – it helped the local authorities to avoid that the area became a desert. But in terms of employment, it is less important than it is rumoured to be. While a few jobs were created, most of the jobs were “imported” by the companies that were moving onto the refinery site. There are around 100 people working today on the site, and that is a lot. But this is primarily creation of activity, not of employment.’

Gilles Humel

The latest project concerns the establishment of a small supermarket in one of the central refinery buildings. This project, it is estimated, will create an additional 30 jobs. While this seems to be a realistic proposal, some administrative difficulties still have to be dealt with, which should not be underestimated and which can only be addressed through active and proactive participation of the local authorities; for example, zoning permission is required as building a supermarket is contingent on proof that the grounds are not contaminated.

### *Successful cooperation of company and local authorities*

‘The mayor again emphasised the successful collaboration with the Société Vermandoise-Industries. “We didn’t want to dramatise or start crying. We said to ourselves that it was time for action, time to do something.” The mayor’s office and Vermandoise came to terms, drew closer, and worked together. Vermandoise made promises and they kept them.’

*Picardie La Gazette*, 17 December 2003

## **Revitalisation**

### *Company’s responsibility towards regional employment*

‘The basic theme was, “Vermandoise Company, you have been really hard on the region, you have made 90 jobs disappear, so it is your responsibility to do something and recreate as many jobs as possible.”’

Daniel Delloye

Revitalisation refers to efforts aimed at supporting expansion and job creation in already existing enterprises in the local region. This job was given to SODIE, a company that deals with both redeployment of employees and with local and regional revitalisation after restructuring. In the case of the Beauchamps refinery, SODIE was not involved with redeployment and the social plan – these were instead handled by ESSEL – but concentrated on the revitalisation of the local area affected by the closure of the refinery.

SODIE’s overall mission was to support, within this area, employers and industrial projects that were on the verge of or that had longer-term plans for expanding their activities and creating new jobs. This included enterprises that were considering moving to the region, as well as those that were already established. If SODIE was to offer its services, then the jobs in question that were to be created had to be permanent jobs as defined by French labour law.

*Selection criteria of new enterprises*

‘Our point of departure in choosing an enterprise was that it already had a project of some sort. Often, the entrepreneur doesn’t really know how to get going with the project, how to organise it, how to write a case file or a business plan, how to present it and whom to present it to. Our job was to prepare a plan and help the entrepreneur reflect on the project. In addition, we would proactively provide links to all of the administrative and economic resources – Mr Delloye, the mayor’s office, the Chamber of Commerce and Industry, banks...’

Francis Perin, Manager of the SODIE revitalisation project

SODIE started by conducting a diagnostic evaluation of the affected region and of its economic strengths and weaknesses. It then approached enterprises to identify any expansion projects that were being planned and to assess what factors were inhibiting expansion plans. Often, the entrepreneur would say that there was a lack of liquid capital to buy a machine or to expand the site. SODIE would then ask the entrepreneur how many new jobs could be expected as a result of the prospective expansion. The project would be evaluated and Mr Perin would subsequently create individual case files that were presented to Vermandoise for approval, whereafter a loan could be reserved to implement the project. The loan amount offered was based on the case file evaluation and the number of jobs that were expected to be created over a three-year timeframe. Five SME received loans at interest rates from 4% to 4.75% per year. Vermandoise paid SODIE’s fees and expenses and advanced the money for the loans, which were quite different from bank loans, particularly since they were not secured in property assets and there was no co-signer. Except for one smaller loan paid out immediately, loans were given in two instalments, six months apart. The repayment period of the smallest loan was six years, and five years for the other loans.

The original objective was to create 50 new jobs over a three-year timeframe. SODIE called the enterprises every few months to ensure that things were progressing well, and it quickly became evident that 66 jobs had been created rather than the 50 jobs intended; the latest follow-up figure indicated that this had increased to 112 new jobs in the affected region (as of February 2006).

To complement the revitalisation programme, the mayor’s office is collaborating with four neighbouring municipalities to create an industrial zone that has the same tax status as an enterprise. The town of Beauchamps has been compensated somewhat for the loss of its enterprise tax due to the refinery’s closure, and new enterprises have been moving into the area. Nonetheless, this will not compensate in the short term for the loss of such a large enterprise as the refinery. A collaborative effort to create growth is seen as being the most viable strategy to meet this income deficit.

## **Lessons learnt and outlook**

There were no unexpected external obstacles to the closure of the Beauchamps refinery. The interviewees reported however of restructuring processes that happened at the same time as the national elections. In such cases, the local politicians who were up for re-election vehemently opposed the restructuring to support their electorate.

The only real obstacle – which in a sense was brought on by a lack of forewarning – was the legal conflict with the CGT union. It became so entrenched at one point that the union launched a law suit against the Vermandoise Group’s President, Jean-Claude Delloye, for not having held works council meetings in 1977 every two months as required by law.

### *Company's failure in anticipating union position*

'... the company board did not realise that the union position could be so intense and that this could result in such a time-consuming and tiring conflict. The board should have mobilised many more resources and prepared things a very long time in advance.'

Stanislas Wedrychowski

### **Lessons learnt**

The main lesson learned from the Beauchamps case is the importance of anticipating change. The mere fact that the company planned to provide new jobs for all the affected workers was not enough. Such a strategy failed to recognise several crucial issues: that the union felt there were other viable strategies that could help address structural issues in the refinery industry; that there were other aspects of the social fabric that would also be affected by the closure, such as people having to re-establish the everyday activities of their personal lives; and that the closure would have wide-reaching effects for the region that would in no way be compensated for by the fact that the workers secured a job of some sort.

### *Lessons learnt from a management viewpoint*

'We should have created a taskforce comprising members of management and supervisory staff who could monitor the process from day to day, and prepare the groundwork for the closure by taking on the responsibility for employment management. We should have invited an external audit on the refinery's profitability so that we could better inform the employees about the challenges we were facing, and we should have made it clear to the employees that small refineries were doomed.'

The worst thing that happens in cases like this is the effect of the brutal, sudden announcement of closure, as if "I have been keeping this a secret because I was afraid of how you would react". This is like suddenly telling a man that he is mortally ill and about to die – there are several preliminary stages you must go through before you get to the final prognosis.'

Stanislas Wedrychowski

For many years, there had been an underlying sense of worry about the future of the Beauchamps refinery, and people were always anxious about what the next refinery season would bring. Nonetheless, while anxiety about the closure abounded, nobody really thought it would actually happen. This sort of worry should be grappled with at a very early stage in any restructuring process. Early anticipation can help to facilitate a greater level of consensus between trade unions and management, so that while the union does not have to accept the closure as being necessary, it can actively participate in drawing up a social plan and ensure that it has an active role in obtaining as much as possible for its members and indeed for the community.

In the Beauchamps case, however, the union felt that the refinery had been run for years on an 'introspective' basis, and that the economic and social consequences of the closure decision had not been properly evaluated. The lack of preemptive dialogue gave the unions the impression that the closure plans were set in stone, and that there was no room at all for discussion regarding other alternatives besides closure of the refinery. In hindsight, CGT can also see that it should have been more actively involved in anticipating problems, albeit from another point of view: the union recognised a long time ago that there was a continual lack of investment in the refinery, but was not proactive or persuasive enough in urging Vermandoise to maintain its activities.

*Reindustrialisation requires a coordinator*

‘I worked for SODIE at the very beginning of the process, and have not been here for several years. The last time I was here there was little activity and things seemed to be dying. Now, the entire landscape is different. I see people working in all the buildings, I see new buildings, growing activity, synergy effects from one enterprise to another. But not every project can be realised – and certainly none of this can happen if there is not a main orchestra conductor who is there the whole time and who can synchronise everything – and who can invest!’

Francis Perin

*CGT's struggle with the refinery's closure*

‘We were in a state of “class struggle” with them. The refinery had been there for over 100 years, and working there was like being part of a family. The employees felt that they had been in some way thrown away, even though they had been there for years, and their fathers and grandfathers had worked there. The closure felt somehow like treason, like being disinherited.’

Gilles Humel

Interviewees from the Vermandoise Group, the mayor’s office and SODIE feel, however, that it will always be possible to find some form of revitalisation and reindustrialisation measure that can be successfully implemented; this is especially possible with the revised labour code legislation, which requires management and employee representatives, as well as employees, to agree on a negotiation method before starting actual economic or social plan negotiations.

The close personal relationship between the mayor’s office and the refinery were – while sometimes difficult due to the social partner conflict – nevertheless crucial for the success of the project. While Mr Vautier may have been First Assistant Mayor, he had also worked at the refinery for 35 years and knew Mr Delloye personally. Over the years, if there were problems between the refinery and the town, Mr Vautier could take on the primary role of employee and colleague rather than municipal authority, thereby facilitating contact with the mayor’s office. Admittedly, however, during the closure and the litigation stage with the unions, there were difficult moments.

*Overcoming conflicting interests*

‘When we were closing the refinery there were demonstrations, and of course Mr Vautier – who was First Assistant Mayor – had to march in front, since the municipal authorities were officially opposed. But this caused no bad feelings with us. As soon as this page had been turned, we could get back to working together.’

Daniel Delloye

The persons interviewed could not identify any other cases of good practice in relation to restructuring, but pointed to the fact that the Beauchamps case could become a model of good practice. In 2003, a refinery at Colleville near Fécamp in the Seine-Maritime department was closed; the experience gained from the Beauchamps case was used as a basis for recommendations made to the Mayor of Colleville. In particular, Mr Delloye attempted to highlight the importance of rapid reindustrialisation, and suggested that he contact the Mayor of Beauchamps. However, this never happened, which reflects the reality that there is apparently little official inter-municipal contact or exchange of information about restructuring issues.

### Outlook

Today, France counts 32 sugar refineries; nonetheless, estimates forecast that only 20 refineries will remain in 10 years time. Vermandoise believes that its own refineries are operating very well and effectively. However, it is likely that the EU sugar reform will lead to the closure of the least effective refineries throughout Europe, and that there will be many rounds of restructuring in the least effective countries, such as Italy, Greece and Portugal. Until now, the high intervention price has made production economically viable, although refineries in these countries have been quite ineffective: for example, in France, one hectare of beet production is equivalent to 10 to 12 tons of sugar, in Italy it is equivalent to four tons of sugar.

Vermandoise is aware that in 10 years time sugar quotas will no longer exist, and the company feels that it is quite well prepared for this. Europe has accepted the reality of 'open sugar borders' and of poorer sugar-producing countries having open access to European markets, as of 2009. A high market price for sugar would encourage the poorer countries to flood the European market with sugar as soon as the borders open completely. However, it is likely that the market price for sugar will fall. This would be the best possible scenario for European sugar production, as it will make sugar exports from third countries much less lucrative due to fixed shipping costs, thus giving an added advantage to European sugar refineries that run effectively.

The union CGT believes that the sugar beet industry could have a promising future and that France could maintain its competitive position as a good beet-producing country. This would require some form of national protection or 'nationalisation' (from private to state control) that permits the maintenance and further development of refineries, ensures continued sugar production at controlled prices, and maintains employment and a wealth of agricultural food production.

It seems to CGT, however, that the end of quotas and the development of bio-fuel has encouraged those in the industry to create an artificial shortage of sugar beet and to turn the issue of sugar beet into an object for economic speculation. One particularly pertinent issue is how the emphasis on sugar as an edible product is likely to diminish, and how it will increasingly be used in industry for its substitution and derivative properties, such as for ethanol and biofuel, thus affecting the entire food industry.

CGT perceives the Vermandoise Group as being the only French sugar group that has not chosen to invest in the production of derivatives. While this has enabled Vermandoise to rapidly adapt to changing market conditions and has enabled the group to maintain a healthy level of cash flow and capital, this has also resulted in a lack of innovation and development. While Vermandoise has at least kept its refineries within France and has not joined the system of pan-European sugar production, CGT feels that the medium-term lack of investment will prevent it from remaining independent for much longer.

### List of interviewees

| Name                     | Position  | Date             |
|--------------------------|---|------------------|
| Stanislas Wedrychowski   | Secretary General, Vermandoise Group  | 13 February 2006 |
| Jean-Philippe Chretien   | First Assistant, Vermandoise Group  | 13 February 2006 |
| Daniel Delloye           | Managing Director, Société Vermandoise Industries, Technical Director, Sucrerie de Beauchamps | 14 February 2006 |
| Gerard Vautier           | First Assistant Mayor, Beauchamps   | 14 February 2006 |
| Francis Perin            | SODIE, Manager of Revitalisation Project of Beauchamps  | 14 February 2006 |
| Gilles Humel             | Secretary of the central works council of the Vermandoise Group, CGT union delegate           | 30 March 2006    |
| Employee at the refinery |   | 30 March 2006    |

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- Statistical recapitulation, February 2006, Mayor's office, Beauchamps
- Summary of first visit to sugar refinery buildings by Abbeville Chamber of Commerce and Industry

### Redeployment of employees at Beauchamps refinery:

- Detailed list of employees redeployed at other Vermandoise refineries
- List of employees externally redeployed, retired, or other
- Summary as of 4 March 2004

### Legal texts:

- Copies of laws regulating lay-offs and redeployment obligations

### Negotiations, meetings, litigation:

- Official presentation of economic justification for restructuring of Beauchamps sugar refinery
- List of court meetings, appeals, and final judgements
- List of social partner meetings regarding the institutional framework of restructuring and regarding the social plan and its adaptation
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- Copy of Social plan framework (table of contents 16 August 1999)

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