styrke og troverdighet

Presentation to social dialogue plenary meeting

The background

The graphic industry in the 28 European Member States comprises some 121 000 companies and employs around 714 000 people for a turnover of about € 88 billion.

The industry throughout Europe consists mainly of small enterprises, as more than 90% of the graphic companies employ less than 20 persons.

(source: Intergraf.eu)

For a long period of time the graphical industry has suffered from overcapacity. This overcapacity has led to a fierce competition on price with the resulting reduction in the number of companies and employees in the sector.

The overcapacity stems from low or negative growth in volume and technical and organisational development which has led to a rise in productivity and production capacity. In 2009 professor Gennard described the situation thus:
The European graphical sector suffers from overcapacity. In the last three years its productive capacity has increased by 30% but aggregate demand for the products by only 1%.

(source: Gennard: The impact of the financial crisis on the European graphical industry – 2009)

The challenge for the printing industry

For the graphical industry direct aid to investments in new capacity will have a major impact on the companies not receiving such aid.

It will also affect market prices and conditions as new capacity in the sector will have to fight for jobs in a diminishing market.

The only way to obtain a share of the existing market is to use price as a competitive tool. The investment aid will give the receiving companies an significant advantage when competing on price.

In 2010 the social partners published this report where the industry itself points at two major challenges **– overcapacity and the resulting price competition**

Fellesforbundet

The case

In the summer of 2013 Fellesforbundet was notified that one of the companies in the packaging sector had lost a contract to a Polish company due to a price difference of approximately 30% in favour of the Polish competitor.

Fellesforbundet investigated the matter and found out that the company – Drukarnia DAKO (Kozioł i Wspólnicy Spółka Jawna , ul. Nowodworska 1, 21-100 Lubartów) – had received investment aid from the ERDF amounting to approximately Zloty 92 million (€ 21,5 million).

We also learned that a Swedish packaging printer had lost work for the same customer to this Polish company.

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Fellesforbundet and the graphical employers federation wrote a letter to the Norwegian government asking the government to look into the matter of investment aid from ERDF.

In the case of Drukarnia Dako in order to see if the rules of ERDF have been violated.

Regarding investment aid from ERDF to companies in the graphical industry in general the social partners in Norway have asked the government to influence the European Union to change its policy to end this practice.

The Swedish social partners – GS-facket and the Graphical Employers Federation aproached their government in a similar manner.

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DET KONGELIGE FORNYINGS-,
ADMINISTRASJONS- OG KIRKEDEPARTEMENT

The Ministry of Government Administration, Reform and Church Affairs

The government department responsible for competition (FAD) answered that it finds it unfortunate if aid from the ERDF is used in a manner that distorts competition in the EEA, as the EEA agreement has as an objective to secure companies equal competitive conditions.

FAD recommend that the social partners send a formal complaint to DG Competition.

Fellesforbundet

The formal complaint to DG Competition

The social partners in the graphical industry in Norway and Sweden made a common complaint to DG Competition, dated May 6th 2014.

From DG Competition we received the following acknowledgement by e-mail, dated May 19th:

The Directorate-General for Competition has received your correspondence dated 19/05/2014 (Registration: 2014/052982), concerning the subject referred to above.

Since that date we have heard nothing from DG Competition.

Next we will refer the basic points of the complaint:

8. Compatibility of the aid.

Please indicate the reasons why in your view the alleged aid is not compatible with the internal market.

1. Regional aid apparently neither in advance or in retrospect to have been notified to the Commission. Drukarnia DAKO's competitors have not, therefore, access to relevant documents. According to the appellant this is contrary to the Article 108.3 of the Treaty on the Functioning of the Union.

1. Regional aid must primarily be given to small and medium sized businesses. Providing comprehensive support for a large company and a major player in the European market affect inter-State trade.

1. Regional aid helps Drukarnia DAKO to significantly reduce their current investment and capital and depreciation costs and thus constitutes according to the appellant operating aid. This allows Drukarnia DAKO deliver at lower prices than their competitors. Using regional aid to operational support distorts competition.

4. Regional aid is given to a business that operates in a market which is structurally in decline. Those competitors who are losing business to the firms that receive support as a result of price pressure, can not find business elsewhere. Support for individual firms in markets that are structurally in decline distort competition and affect inter-State trade.

5. The use of regional aid to create and maintain excess capacity leads to pressure on profit margins and fewer investments in the future by its competitors, and in this case that competitors are forced to lay off personnel. It therefore implies moving jobs from one country to another. In this way, reciprocal trade is adversely affected.

6. Companies which have invested in new production and created jobs will be ousted by firms receiving public funding and thus undermine confidence in free competition.

7. In accordance to the regulations for awarding aid from PARP under New investment of a high innovation potential, Measure 4.4 IE OP, the amount of aid that can be issued is restricted at PLN 40 million per project. The appellant argues that this provision has been circumvented by the investment in new production capacity has been divided into three smaller projects so that the limit of PLN 40 million per project is not exceeded. This breakdown has enabled Drukarnia Dako to obtain more than PLN 40 million during the program period and must be regarded as contrary to the regulations.

8. The appellant also points out that the technology Drukarnia Dako invested in is standard production technology in the industry, with no innovative or environmental elements.

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Some observations

Working with this subject we have tried to find information on actual cases of ERDF aid.

The company Drukarnia Dako shall be commended for publishing enough details on their web site to enable us to find facts and figures.

Given the nature of things in Europe with different languages this would otherwise most likely be an impossible task.

The Polish government has published spreadsheets with 18 772 lines of information on different receipients of financial support. (www.poig.gov.pl/Documents/lista_beneficjentow_POIG_030711.xls)

During our investigations we have found other instances of companies in the graphical industry in Poland receiving direct investment aid:

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GRAFICZNY COLONEL SPÓŁKA AKCYJNA (Graphic Colonel SA) a book printer in Krakow, received an investment aid of Zloty 11 668 652 on a total investment of Zloty 25 314 852.

Drukarnia Multipress Sp. z o.o. (Multipress printing house) in Krakow, received an investment aid of Zloty 18 083 596 on an investment of Zloty 38 721 979.

Flexodruku DRUKPOL Zenon Ziemak (Flexoprint Drukpol) a flexoprinter near Warsaw, received an investment aid of Zloty 5 082 000 on a total investment of Zloty 12 430 080.

Poligraficzny OFFSET DRUK Adam Motyka an offset printer in Rzeszów, received an investment aid of Zloty 13 999 256 on a total investment of Zloty 24 468 417.

Poligraficzny Unigraf Alicja Plaskota (Unigraf) a packaging printer in Warsaw, received an investment aid of Zloty 6 953 854 on a total investment of Zloty 21 497 523.

Pack Plus Sp. z o.o. S.K.A a packaging printer in Wadowice, received an investment aid of Zloty 14 580 000 on a total investment of Zloty 29 716 000.

Zakłady Graficzne Zapolex (Zapolex printing house) in Torun, received an investment aid of Zloty 41 992 676 on a total investment of Zloty 75 570 000.

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On their homepage Zapolex writes:

We are pleased to announce that the project was completed "Improving the competitiveness of the company through the purchase of innovative printing technology combined with an adhesive performance of luminaires and the technology of printed loose" in the grant agreement No. UDA-POIG.04.04.00-04-019/08-00. The project co-financed by the European Union through the European Regional Development Fund under the Innovative Economy Operational Programme was the purchase of modern equipment, including:

Eight colour offset printing press with perfecting Heidelberg Speedmaster XL 105,

line brochure binding Kolbus,

MBO three machines

laminating machine hot (Foliating) Polaris System

digital system for exposing printing plates Kodak Magnus 800 SCU

two sewing thread ridges books from Aster Stacker 180/51,

line integrated mounting frame Petratto SAB 100

During the investigation of this matter we also discovered that the book printer Livonia Print in Riga, Latvia had received direct investment aid in 2012 amounting to Latvian Lats 1,5 million (€ 2,1 million) on a total investment of Lats 4,8 million.

Livonia Print has taken over a large part of the book production in Norway due to favourable prices. Livonia Print was established in 2007 and has supposedly received investment aid also in the years 2007 – 2012, but the amounts are not known to us. In 2012 one of the major Norwegian book printers declared bankruptcy.

(Latvian Lat 100 corresponds to approximately EURO 142)

The only way we could find this out was:

http://www.balticconsulting.com/biznesa-izveide-en/2012-gada-finansu-konsultacija

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Baltic Consulting consulted Livonia Print Ltd.

In circumstances of serious competition, support for the development project of Livonia Print Ltd. was achieved in co-operation, which structured the deal from resources of the company itself (Livonia Print), bank financing (joint-stock company Swedbank), and European Union financing (within the programme "High value-added investments").

Within the framework of the project, 4 new and technologically modern items of production equipment were purchased: VLF large format 4-colour printing machine, 8-colour large format printing machine 106 (2 pcs.), and an integrated soft-binding line with assembling, a three-knife trimmer and a stacker. As a result of the project, some new products are going to be introduced in manufacturing: large-size cartographic materials and thick soft-cover books glued with polyurethane adhesive; moreover, the prime cost and technological quality of the available products is going to be significantly improved. The total amount of the project: 4.8 million LVL (4.3 million LVL – bank financing, 0.5 million LVL – company's own financing), which includes 1.5 million EU support.

Management of the Project: Rinalds Trukšs, Krišs Spūlis.

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