



EUROPEAN COMMISSION

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Proposal for a

**DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**on the mobilisation of the European Globalisation Adjustment Fund in accordance with point 28 of the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management (application EGF/2010/017 DK/Midtjylland Machinery from Denmark)**

## EXPLANATORY MEMORANDUM

Point 28 of the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management<sup>1</sup> allows for the mobilisation of the European Globalisation Adjustment Fund (EGF) through a flexibility mechanism, within the annual ceiling of EUR 500 million over and above the relevant headings of the financial framework.

The rules applicable to the contributions from the EGF are laid down in Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 on establishing the European Globalisation Adjustment Fund<sup>2</sup>.

On 11 May 2010, Denmark submitted application EGF/2010/017 DK/Midtjylland Machinery for a financial contribution from the EGF, following redundancies in 6 enterprises operating in the NACE Revision 2 Division 28 ('Manufacture of machinery and equipment')<sup>3</sup> in the NUTS II region of Midtjylland (DK04) in Denmark.

After a thorough examination of this application, the Commission has concluded in accordance with Article 10 of Regulation (EC) No 1927/2006 that the conditions for a financial contribution under this Regulation are met.

### SUMMARY OF THE APPLICATION AND ANALYSIS

<b>Key data:</b>	
EGF Reference no.	EGF/2010/017
Member State	Denmark
Article 2	(b)
Enterprises concerned	6
NUTS II region	Midtjylland (DK04)
NACE Revision 2 Division	28 ('Manufacture of machinery and equipment')
Reference period	6.6.2009 – 6.3.2010
Starting date for the personalised services	11.08.2010
Application date	11.5.2010
Redundancies during the reference period	813
Redundant workers targeted for support	325
Expenditure for personalised services (EUR)	5 627 125
Expenditure for implementing EGF <sup>4</sup> (EUR)	441 500
Expenditure for implementing EGF (%)	7,3
Total budget (EUR)	6 068 625
EGF contribution (65 %) (EUR)	3 944 606

<sup>1</sup> OJ C 139, 14.6.2006, p. 1.

<sup>2</sup> OJ L 406, 30.12.2006, p. 1.

<sup>3</sup> Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC regulations on specific statistical domains (OJ L 393, 30.12.2006, p. 1).

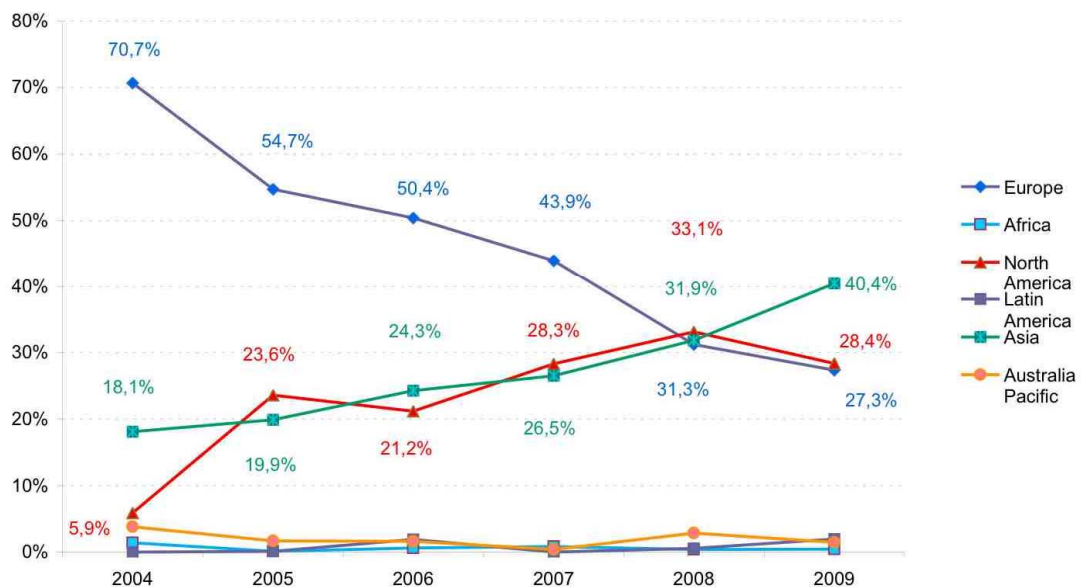
<sup>4</sup> In accordance with the third paragraph of Article 3 of Regulation (EC) No 1927/2006.

1. The application was presented to the Commission on 11 May 2010 and supplemented by additional information up to 21 March 2011.
2. The application meets the conditions for deploying the EGF as set out in Article 2(b) of Regulation (EC) No 1927/2006, and was submitted within the deadline of 10 weeks referred to in Article 5 of that Regulation.

**Link between the redundancies and major structural changes in world trade patterns due to globalisation or the global financial and economic crisis**

3. In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, Denmark argues that the wind turbine manufacturing industry in the EU, which is included in NACE Revision 2 Division 28 ('Manufacture of machinery and equipment'), has been seriously affected by changes in world trade patterns, in particular a significant reduction of the EU market share. Denmark explains that, although the European production of wind turbines has increased in the past few years, the global market for wind turbines has developed even faster, especially in Asia and North America.
4. Denmark quotes the World Wind Energy Report 2009 prepared by the World Wind Energy Association, which shows that the most dynamic progress of the wind industry took place in Asia and North America and the focus of the global wind sector moved away from Europe. Amid a dynamic global growth of the sector, Europe's share in total capacity was reduced from 65,5 % in 2006 to 47,9 % in 2009. Asia is expanding most rapidly, accounting for 40,4 % of the new wind capacity in 2009 (in comparison to 18,1 % in 2004) while Europe fell back from 70,7 % of new capacity in 2004 to only 27,3 % in 2009.

**Continental Shares in New Wind Capacity**



(Source: World Wind Energy Report 2009, WWEA World Wind Energy Association)

Apart from considerably lower labour costs, the high costs of transporting the big parts of wind turbines require European producers to move their production closer to the most dynamic end-user markets to ensure their competitiveness and market position. As a result, production has been progressively migrating out of the EU.

5. Vestas Group (accounting for 95 % of all workers targeted for support under this application) has been part of the trend described above. Although its income has been growing (increase by 185 % over the past five years) and the company increased the number of staff by 202 % over the same period, it has also been losing its share in the rapidly growing world market for wind energy (from 30 % in 2004 down to about 14 % at present). These factors resulted in Vestas shifting the focus of its activities and its production plants to the USA and Asia, where the bigger share of the customer base is located and production is more cost-effective.
6. In addition, the new economic context as a result of the financial and economic crisis negatively affected the EU wind industry in 2009. As a result, the Danish wind industry experienced a sharp drop in employment in that year, as well as a drop in turnover.

#### **Demonstration of the number of redundancies and compliance with the criteria of Article 2(b)**

7. Denmark submitted this application under the intervention criteria of Article 2(b) of Regulation (EC) No 1927/2006, which requires at least 500 redundancies over a nine-month period in enterprises operating in the same NACE Revision 2 Division in one region or two contiguous regions at NUTS II level in a Member State.
8. The application cites 813 redundancies in six enterprises operating in the NACE Revision 2 Division 28 ('Manufacture of machinery and equipment')<sup>5</sup> in the NUTS II region of Midtjylland (DK04) during the nine-month reference period from 6 June 2009 to 6 March 2010. All of these redundancies were calculated in accordance with the third indent of the second paragraph of Article 2 of Regulation (EC) No 1927/2006.

#### **Explanation of the unforeseen nature of those redundancies**

9. The Danish authorities argue that that the reduction of employment in Midtjylland, which is the subject of this application, was unforeseen because of the rapid expansion of the global wind energy sector, and the positive expectations which had been published by the producers in their quarterly reports in the period preceding the lay-offs.

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<sup>5</sup> Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC regulations on specific statistical domains (OJ L 393, 30.12.2006, p. 1).

## **Identification of the dismissing enterprises and workers targeted for assistance**

10. The application cites a total of 813 redundancies in the following six enterprises, of which 325 are targeted for assistance:

Enterprises	Numbers of dismissals
Vestas assembly A/S	138
Vestas Blades A/S	506
Vestas Control Systems A/S	105
Vestas Machining A/S	24
I.P.L Transmissioner	18
Lind Jensens Maskinfabrik	22
<b>Total enterprises: 6</b>	<b>Total dismissals: 813</b>

11. The break-down of the targeted workers is as follows:

Category	Number	Percent
Men	251	77,23
Women	74	22,77
EU citizens	325	100,00
Non EU citizens	0	0
15-24 years old	28	8,62
25-54 years old	247	76,00
55-64 years old	50	15,38
> 64 years old	0	0

12. None of the workers dismissed have longstanding health problems or disabilities.
13. In terms of occupational categories, the break-down is as follows:

Category	Number	Percent
Professionals	2	0,62
Technicians and associate professionals	26	8,00
Clerical support workers	1	0,31
Craft and related trades workers	133	40,92
Plant and machine operators, and assemblers	149	45,84
Elementary occupations <sup>6</sup>	14	4,31

14. In accordance with Article 7 of Regulation (EC) No 1927/2006, Denmark has confirmed that a policy of equality between women and men as well as non-discrimination has been applied, and will continue to apply, during the various stages of the implementation of and, in particular, in access to the EGF.

## **Description of the territory concerned and its authorities and stakeholders**

15. The territory concerned is Central Denmark Region (Midtjylland, NUTS II – DK04) and particularly the municipality of Ringkøbing-Skjern. Midtjylland is the first in area and second in population among Denmark's five regions, with an area of 13 053 square kilometres and a population of above 1,2 million. Its capital city is

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<sup>6</sup> The breakdown is based on International Standard Classification of Occupations (ISCO) developed by International Labour Organisation.

Viborg. The affected municipality of Ringkøbing-Skjern is located in the western part of the region. Ringkøbing-Skjern, with an area of 1 485 km<sup>2</sup>, has a population of 58 803 (2009).

16. The principal stakeholders are the municipality of Ringkøbing-Skjern and the social partners. The municipality has responsibility for supporting the unemployed in their search for new employment, including making arrangements for activities to upgrade workers' skills, to aid job-seeking skills and to help with the goal-setting process. The municipality will be responsible for implementation of the activities in the application, as well as registration and control. The social partners, i.e. the trade unions and the employers' organisations involved in the project are the following: Ringkøbing Fjord Business Development Centre (Ringkøbing Fjord Erhvervscenter), Ringkøbing-Skjern Vocational College (UddannelsesCenter Ringkøbing-Skjern), Danish Confederation of Trade Unions (LO), Danish Metal (Dansk Metal – union for workers in metal industries), 3F (union for unskilled workers), Danish Employers' Organization (DI – organization for employers in industry), Local Employment Advisory Council (LBR – council of partners with interests in the employment sector), Regional Employment Advisory Council (RBR – regional council of partners), Vestas Wind Systems A/S.

#### **Expected impact of the redundancies as regards local, regional or national employment**

17. The workers in the iron and metal industry, to which the manufacture of wind turbines sector belongs, constitute a higher share in the total number of workers in the municipality of Ringkøbing-Skjern, than in Denmark as a whole (19 % and 6 % respectively), thus making the region more vulnerable to the negative changes in the sector.
18. Denmark expects the impact of the redundancies to be locally significant; notified redundancies of the affected workers represent about 2,5 % of the total number of workplaces in the municipality of Ringkøbing-Skjern. The municipality has been affected by rising unemployment much more than the region of Midtjylland and Denmark as a whole (respective increase between July 2008 and September 2010: Ringkøbing-Skjern: 290 %, Midtjylland: 192 %, Denmark: 176 %, source: [www.jobindsats.dk](http://www.jobindsats.dk)).
19. Based on the figures published by the government's Labour Market Commission, the consultancy firm M-ploy A/S estimates that these redundancies may bring about a rise in unemployment support expenditure of about EUR 940 000 per annum, as well as reduced tax revenue of up to EUR 3,2 mln per annum.

#### **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**

20. Clarification and reorientation: The target group will be offered a clarifying basic programme to determine their goals and draw up an action plan. The basic programme will run for 12 weeks and will focus on reorientation for the workers concerned, with particular emphasis on development areas in the municipality, such as green energy and tourism. Two analyses have been launched to better identify future development areas. Other elements of this measure will be qualification

assessment, individual careers counselling, workshop activities at vocational colleges or vocational training centres and on-the-job-training. For foreign nationals who do not speak or understand Danish fluently, interpreter assistance will be provided.

Supplementary support for further education and training: Participants who have one or more education goals determined in the clarification process, are offered the opportunity to start/complete an education programme.

Innovation laboratory: The goal of this measure is to focus on upgrading workers' skills to enable them to take part in clean-tech based prototype work in existing companies. This will be achieved through course activities and apprentice-based learning from peers in market leading companies in the cleantech/innovation field. The key part of the measure will be a placement in a host company, where the worker can try out an idea coming from either the host company or the worker him/herself.

Mentoring scheme in connection with practical training: Practical training with a mentoring scheme attached is for those in the target group who, after the clarification process, are assessed to be suitable for further training, and for people over 50 years of age who are not interested in starting an education course. About 40 practical training programmes with attached mentoring schemes are expected to be established.

Qualification hotline: The hotline centre will guide the unemployed and the potential employers into finding the proper continuing training programme. The hotline function must react as soon as need arises. These may include situations such as a need for a mentor, clarification of competencies or a need for new competencies, continuing training in the form of vocational training courses etc. and guides to these.

Job-search allowances/unemployment benefit/student grants: The purpose of this measure is to minimise support-related barriers. Jobseekers are offered various allowances depending on their status versus the national support system and activities in which they are participating in the coordinated package of activities. Denmark confirmed that these allowances will be provided only for the duration of the active labour market measures.

Mobility allowances: For the workers who have to commute to be able to participate in the measures mobility allowances have been envisaged.

21. The expenditure for implementing EGF, which is included in the application in accordance with Article 3 of Regulation (EC) No 1927/2006, covers preparatory, management and control activities as well as information and publicity.
22. The personalised services presented by the Danish authorities are active labour market measures within the eligible actions defined by Article 3 of Regulation (EC) No 1927/2006. The Danish authorities estimate the total costs of these services at EUR 5 627 125 and the expenditure for implementing EGF at EUR 586 500 (10,4 % of the total amount). The total contribution requested from the EGF is EUR 3 944 606 (65 % of the total costs).

Actions	Estimated number of workers targeted	Estimated cost per worker targeted (EUR)	Total costs (EGF and national cofinancing) (EUR)
<b>Personalised services</b> (first paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Clarification and reorientation	150	7 535	1 130 250
Supplementary support for further education	75	12 135	910 125
Innovation laboratory	10	24 500	245 000
Mentor scheme in connection with practical training	40	6 875	275 000
Qualification hotline	50	7 100	355 000
Job-search allowances/unemployment benefit/student grants	325	7 928	2 576 600
Mobility allowances	85	1 590	135 150
<b>Sub total personalised services</b>			<b>5 627 125</b>
<b>Expenditure for implementing EGF</b> (third paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Preparatory activities			33 750
Management at local level			159 000
Management at national level			56 000
Information and publicity			33 750
Control activities			159 000
<b>Sub total expenditure for implementing EGF</b>			<b>441 500</b>
<b>Total estimated costs</b>			<b>6 068 625</b>
<b>EGF contribution (65 % of total costs)</b>			<b>3 944 606</b>

23. Denmark confirms that the measures described above are complementary with actions funded by the Structural Funds.



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

24. Denmark started the personalised services to the affected workers included in the co-ordinated package proposed for co-financing to the EGF on 11 August 2010. This date therefore represents the beginning of the period of eligibility for any assistance that might be awarded from the EGF.

### **Procedures for consulting the social partners**

25. A number of social partner organisations (see point 14) was consulted during the preparation of the application and they will also be involved in monitoring the implementation of the measures.
26. The Danish authorities confirmed that the requirements laid down in national and Community legislation concerning collective redundancies have been complied with.

### **Information on actions that are mandatory by virtue of national law or pursuant to collective agreements**

27. As regards the criteria contained in Article 6 of Regulation (EC) No 1927/2006, the Danish 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 above do not receive assistance from other Community financial instruments.

### **Management and control systems**

28. Denmark has notified the Commission that the financial contribution will be managed and controlled by the same bodies as the European Social Fund, which also has the Danish Enterprise and Construction Authority as Managing Authority. The Certifying Authority will be vested in a different department of the same body. The Auditing Authority will be the EU Controllerfunction in the Danish Enterprise and Construction Authority.

### **Financing**

29. On the basis of the application from Denmark, the proposed contribution from the EGF to the coordinated package of personalised services (including expenditure to implement EGF) is EUR 3 944 606, representing 65 % of the total cost. The Commission's proposed allocation under the Fund is based on the information made available by Denmark.

30. Considering the maximum possible amount of a financial contribution from the EGF under Article 10(1) of Regulation (EC) No 1927/2006, as well as the scope for reallocating appropriations, the Commission proposes to mobilise the EGF for the total amount referred above, to be allocated under heading 1a of the financial framework.
31. The proposed amount of financial contribution will leave more than 25 % of the maximum annual amount earmarked for the EGF available for allocations during the last four months of the year, as required by Article 12(6) of Regulation (EC) No 1927/2006.
32. By presenting this proposal to mobilise the EGF, the Commission initiates the simplified dialogue procedure, as required by Point 28 of the Interinstitutional Agreement of 17 May 2006, with a view to securing the agreement of the two arms of the budgetary authority on the need to use the EGF and the amount required. The Commission invites the first of the two arms of the budgetary authority that reaches agreement on the draft mobilisation proposal, at appropriate political level, to inform the other arm and the Commission of its intentions. In case of disagreement by either of the two arms of the budgetary authority, a formal dialogue meeting will be convened.
33. The Commission presents separately a transfer request in order to enter in the 2011 budget specific commitment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.

#### **Source of payment appropriations**

34. As a reinforcement of the EGF budget line 04.0501 by EUR 50 000 000 is foreseen through AB2/2011, this budget line will be used to cover the amount of EUR 3 944 606 needed for the present application.

Proposal for a

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THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management<sup>7</sup>, and in particular point 28 thereof,

Having regard to Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 establishing the European Globalisation Adjustment Fund<sup>8</sup>, and in particular Article 12(3) thereof,

Having regard to the proposal from the European Commission<sup>9</sup>,

Whereas:

- (1) The European Globalisation Adjustment Fund (EGF) was established to provide additional support for workers made redundant as a result of major structural changes in world trade patterns due to globalisation and to assist them with their reintegration into the labour market.
- (2) The scope of the EGF was broadened for applications submitted from 1 May 2009 to include support for workers made redundant as a direct result of the global financial and economic crisis.
- (3) The Interinstitutional Agreement of 17 May 2006 allows the mobilisation of the EGF within the annual ceiling of EUR 500 million.
- (4) Denmark submitted an application to mobilise the EGF, in respect of redundancies in 6 enterprises operating in the NACE Revision 2 Division 28 ('Manufacture of machinery and equipment') in the NUTS II region of Midtjylland (DK04), on 11 May

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<sup>7</sup> OJ C 139, 14.6.2006, p. 1.

<sup>8</sup> OJ L 406, 30.12.2006, p. 1.

<sup>9</sup> OJ C [...], [...], p. [...].

2010 and supplemented it by additional information up to 21 March 2011. This application complies with the requirements for determining the financial contributions as laid down in Article 10 of Regulation (EC) No 1927/2006. The Commission, therefore, proposes to mobilise an amount of EUR 3 944 606.

- (5) The EGF should, therefore, be mobilised in order to provide a financial contribution for the application submitted by Denmark.

HAVE ADOPTED THIS DECISION:

*Article 1*

For the general budget of the European Union for the financial year 2011, the European Globalisation Adjustment Fund (EGF) shall be mobilised to provide the sum of EUR 3 944 606 in commitment and payment appropriations.

*Article 2*

This Decision shall be published in the *Official Journal of the European Union*.

Done at [Brussels/Strasbourg],

*For the European Parliament*  
*The President*

*For the Council*  
*The President*