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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/2012/003 DK/Vestas 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 management¹ 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 Fund².

On 14 May 2012, Denmark submitted application EGF/2012/003 DK/Vestas for a financial contribution from the EGF, following redundancies in Vestas Group 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

Key data:	
EGF Reference no.	EGF/2012/003
Member State	Denmark
Article 2	(a)
Primary enterprise	Vestas
Suppliers and downstream producers	0
Reference period	8.2.2012 – 8.6.2012
Starting date for the personalised services	13.8.2012
Application date	14.5.2012
Redundancies during the reference period	720
Redundancies before and after the reference period	0
Total eligible redundancies	720
Redundant workers expected to participate in the measures	720
Expenditure for personalised services (EUR)	14 398 000
Expenditure for implementing EGF ³ (EUR)	578 000
Expenditure for implementing EGF (%)	3,9
Total budget (EUR)	14 976 000
EGF contribution (50 %) (EUR)	7 488 000

1. The application was presented to the Commission on 14 May 2012 and supplemented by additional information up to 10 July 2012.
2. The application meets the conditions for deploying the EGF as set out in Article 2(a) of Regulation (EC) No 1927/2006, and was submitted within the deadline of 10 weeks referred to in Article 5 of that Regulation.

¹ OJ C 139, 14.6.2006, p. 1.

² OJ L 406, 30.12.2006, p. 1.

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

Link between the redundancies and major structural changes in world trade patterns due to globalisation

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. For the first time in 2010, more than half of all new wind power capacities were added outside the traditional markets of Europe and North America. This development was mainly driven by the continuing economic boom in China, which accounted for half of the new global wind installations⁴. Resulting from the dynamic global growth of the sector, Europe's share in total capacity was reduced from 65,5 % in 2006 to 43,7 % in 2010⁵.
4. Furthermore, Denmark argues that this is a permanent trend. The demand for renewable energy, including wind power, will be growing drastically, however the markets will shift. Whereas wind energy was a European dominated industry until 2006 and there was balanced growth between Europe, Asia and the USA up to now, there will be a surging demand for wind power in Asia and North America in the near future, South America tomorrow and Africa in the long-term future. Manufacturing and servicing will move to places, where they are demanded and to regions with rapid economic growth. 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 has been part of the trend described above. In order to maintain their leadership on the market, Vestas has recently implemented a new strategy led by the principle "In the region for the region" with the aim of reducing production and transport costs, ensuring shorter distances to customers and markets and making Vestas more robust towards exchange rate fluctuations⁶. Following the globalisation process, wind turbines will be manufactured where they are needed (already in 2011 80-90 % of turbines were manufactured regionally). Moreover, whereas most of the components of a wind turbine were produced in-house in the past, component production will be increasingly outsourced to regional partners and as a result, Vestas will have a lower need for investments and will reduce its staff.
6. This is the third EGF case in the wind turbines sector. The arguments presented in the two previous cases (EGF/2010/017 DK Midtjylland Machinery⁷ and EGF/2010/022 DK/LM Glasfiber⁸) remain valid.

⁴ 'Global Wind Energy Council', Global wind report, Annual market update 2010, Brussels, April 2011.

⁵ World Wind Energy Report 2010, WWEA World Wind Energy Association

⁶ Vestas Annual Report 2011.

⁷ COM(2011)421 final

⁸ COM(2011)258 final

Demonstration of the number of redundancies and compliance with the criteria of Article 2(a)

7. Denmark submitted this application under the intervention criteria of Article 2(a) of Regulation (EC) No 1927/2006, which requires at least 500 redundancies over a four-month period in an enterprise in a Member State, including workers made redundant in its suppliers and downstream producers.
8. The application cites 720 redundancies in Vestas Group during the four-month reference period from 8 February 2012 to 8 June 2012. 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. The Commission has received the confirmation required under the third indent of the second paragraph of Article 2(2) that this is the actual number of redundancies effected.

Explanation of the unforeseen nature of those redundancies

9. The Danish authorities recall that the redundancies already made by Vestas Group in the municipality of Ringkøbing-Skjern in 2009/2010 were unforeseen because of the rapid expansion of the global wind energy sector. In 2009 mostly low and unskilled workers were affected following the new global trading pattern to outsource manufacturing to countries with lower labour costs. Meanwhile, the dismissals in 2012 in the Vestas Group affected to a large extent highly skilled, specialised and well-educated employees. This was not anticipated, since Denmark had made considerable investments into research and development in the renewable and wind energy sectors. Moreover, the Danish government had been negotiating an ambitious energy policy for the years 2012-2020 with plans to promote the deployment of more wind turbines. Finally, the municipality of Ringkøbing-Skjern had made large-scale investments into transport facilities for Vestas windmills. It was expected that the new generation of Vestas windmills would be produced in the municipality.

Identification of the dismissing enterprises and workers targeted for assistance

10. The application relates to 720 redundancies in Vestas Group and all of them are targeted for assistance.
11. The break-down of the targeted workers is as follows:

Category	Number	Percent
Men	452	62,78
Women	268	37,22
EU citizens	717	99,58
Non EU citizens	3	0,42
15-24 years old	3	0,42
25-54 years old	630	87,50
55-64 years old	81	11,25
> 64 years old	6	0,83

12. In terms of occupational categories, the break-down is as follows:

Category	Number	Percent
Directors, CEO Production and operations department managers	45	6,25
Engineers, including project managers, heads of departments	155	21,53
Engineering science technicians	223	30,97
Office clerks	50	6,94
Service workers	67	9,31
Metal, machinery and related trade workers	2	0,28
Machine operators and assemblers	144	20,00
Manufacturing labourers	34	4,72

13. 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

14. The redundancies affect five municipalities located in the bordering regions of Midtjylland (Randers, Favrskov, Aarhus and Ringkøbing-Skjern) and Syddanmark (Varde). There were also a few redundancies in the Region of Sjælland and the Capital region – Copenhagen. What all the municipalities affected have in common is a rapid rise in unemployment (especially long-term) and a steep decline in job vacancies (especially in industry and production).
15. Ringkøbing-Skjern invested considerably in infrastructure for Vestas and the wind energy sector. Other major employment sectors are tourism, agriculture, construction and the public service.
16. The principal stakeholder is the municipality of Ringkøbing-Skjern. 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. Other stakeholders are: the municipalities of Varde, Favrskov, Randers, Aarhus, Roskilde and Copenhagen; trade unions, unemployment insurance funds (A-kasser), employers' representatives, the regions of Midtjylland, Syddanmark, Sealand, the Capital Region; the regional Employment Councils; the Ministries of Employment, Enterprise and Growth; local enterprises.

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

17. Following the large-scale collective redundancies in 2009/2010, which affected approx. 800 Vestas employees in Ringkøbing-Skjern and surrounding municipalities, the new wave of redundancies is a great challenge for the affected municipalities. This time mainly highly-educated employees were dismissed. Only in Varde a larger number of semi-skilled and skilled workers are affected since the plant will be completely closed down in August 2012. The impact of the redundancies will be

locally significant, especially when taking into account the fact that Vestas Group will make a total of 1 300 employees redundant (many of the workers were hired on temporary contracts and these were not, or will not, be renewed).

18. Attracting such innovative enterprise such as Vestas which provided many high-skilled and high-quality industrial jobs was a great success for the municipalities concerned. The loss of these has put the region into difficulties. All the municipalities concerned have reported that there are no suitable job openings for the new target group and as a result, the highly skilled dismissed workers will have to move away in search for a job and it will therefore be even more difficult to attract new companies.
19. The redundancies happen at a time when unemployment is rising rapidly. In February 2012, it was 36 426 in Midtjylland and 40 004 in Syddanmark (compared with 28 402 and 29 751 respectively in August 2011).

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. Denmark proposes a package of measures in support of the redundant workers that is in coherence with the Europe 2020 strategy to promote smart, sustainable and inclusive growth. The package will offer individualised, targeted, flexible and innovative help to prepare the redundant workers for new jobs in the future growth areas.
21. Mentoring and coaching. It is estimated that all targeted workers will benefit from this action throughout the project. The action aims to support workers as they define their needs, manage their own learning, select the right upskilling packages to maximise their potential and develop their personal, social and professional skills. The general objectives are to screen and map the competences of participants, provide individual counselling, maintain motivation throughout the project by means of ongoing coaching, develop and identify the best practice cases, communicate with the training providers and enterprises. The measure will start with an in-depth information session which will be followed by individual counselling sessions during which the competences of the participants will be screened and mapped. The process will be constantly monitored to assess its impact through questionnaires and interviews. The services will be offered together with UddannelesesCenter Ringkøbing-Skjern (education center), the project management team and representatives from the Job Centres in the municipalities involved.

Individualised targeted training packages. These packages will be available to all the workers in the target group. However, a number of dismissed workers are likely to find new employment after the coaching process, thus it is estimated that about 600 workers will participate in this measure. The training packages designed by the project team in cooperation with the redundant workers and provided by educational institutions throughout Denmark include:

- intercultural competencies courses (one-day workshops to make participants aware of the need to acquire intercultural skills in a globalised environment);

- language courses (including business skills in English, the language of meetings, discussions and presentations; technical languages; possibility to develop tailor-made language training packages);
- entrepreneurship training (an introductory entrepreneurship workshop with the aim to motivate participants to become self-employed or start up their own businesses; the participants will learn how to develop a business plan and will receive information on legal issues, tax and VAT, sales and marketing, e-business);
- off-the-shelf courses and training programmes (all the participants will have an opportunity to register for courses and training programmes of their own choice).

Entrepreneurship grants up to EUR 25 000 per business start-up will be made available after an intensive screening of 25 persons after their participation in the entrepreneurship courses and their development of a solid business plan. Criteria for an assessment of the business plans will be: creativity, innovation and sustainability. All the beneficiaries will be required to attend monitoring sessions on a regular basis and to prepare a status report at the end of the EGF project. The progress of the start-ups will be closely monitored.

Outplacement will be offered in the last six months of the project to those who have not yet found a new job (approximately 70 persons). Since those will be the most disadvantaged due to their age, learning disabilities, gender, lack of possibilities to commute, the Job Centres and collaboration partners will offer them internships in selected companies which could provide employment after the internship phase. Intensive mentoring and counselling will be provided to people placed in the companies.

Subsistence allowances / student grants will be made available to all redundant workers strictly tied to the participation of the worker in the active labour market measures. An average of EUR 10 400 per person is estimated.

22. The expenditure for implementing the EGF, which is included in the application in accordance with Article 3 of Regulation (EC) No 1927/2006, covers preparatory, management, information and publicity as well as control activities. The municipality of Ringkøbing-Skjern and the administrative project team involving all the municipalities concerned will deploy a number of instruments to promote and communicate the contribution from the EGF. Websites will be established on the municipalities' portals. There will be regular press releases, press meetings and newsletters. A final impact workshop will be organised with all project participants and stakeholders. Promotion materials will be made available.
23. 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 at EUR 14 976 000, of which the expenditure for personalised services at EUR 14 398 000 and the expenditure for implementing the EGF at EUR 578 000 (3,9 % of the total amount). The total contribution requested from the EGF is EUR 7 488 800 (50 % of the total costs).

Actions	Estimated number of workers targeted	Estimated cost per worker targeted (EUR)	Total costs (EGF and national cofinancing) (EUR)
Personalised services (first paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Mentoring and coaching	720	1 500	1 080 000
Individualized targeted training packages	600	8 500	5 100 000
Entrepreneurship allowances	25	25 000	625 000
Outplacement	70	1 500	105 000
Subsistence allowances / student grants	720	10 400	7 488 000
Sub total personalised services			14 398 000
Expenditure for implementing EGF (third paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Preparatory activities			28 000
Management			220 000
Information and publicity			80 000
Control activities			250 000
Sub total expenditure for implementing EGF			578 000
Total estimated costs			14 976 000
<i>EGF contribution (50 % of total costs)</i>			<i>7 488 000</i>

24. Denmark confirms that the measures described above are complementary with actions funded by the Structural Funds and that all double financing will be prevented.

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

25. Denmark will start the personalised services to the affected workers included in the co-ordinated package proposed for co-financing to the EGF on 13 August 2012. 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

26. All the municipalities affected by the redundancies have been involved in the preparation of the measures. A number of social partner organisations (trade unions, representatives of Vestas, employers' organizations) have been consulted during the meeting with the Employment Committee in the Municipality in January 2012. Furthermore, two workshops with all affected municipalities, where social partners were represented, were organised in Skjern in February and March 2012. The social partners are regularly briefed about the status of the project in their monthly Committee meetings.
27. The Danish authorities confirmed that the requirements laid down in national and EU legislation concerning collective redundancies have been complied with.

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

28. 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;
 - confirmed 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 EU financial instruments.

Management and control systems

29. 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 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 Authority.

Financing

30. 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 7 488 000, representing 50 % of the total cost. The Commission's proposed allocation under the Fund is based on the information made available by Denmark.
31. 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 to above, to be allocated under heading 1a of the financial framework.

32. 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.
33. By presenting this proposal to mobilise the EGF, the Commission initiates the simplified triologue 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 triologue meeting will be convened.
34. The Commission presents separately a transfer request in order to enter in the 2012 budget specific commitment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.

Source of payment appropriations

35. Appropriations from the EGF budget line will be used to cover the amount of EUR 7 488 000 needed for the present application.

Proposal for a

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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/2012/003 DK/Vestas from Denmark)

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 management⁹, 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 Fund¹⁰, and in particular Article 12(3) thereof,

Having regard to the proposal from the European Commission¹¹,

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 Interinstitutional Agreement of 17 May 2006 allows the mobilisation of the EGF within the annual ceiling of EUR 500 million.
- (3) Denmark submitted an application to mobilise the EGF, in respect of redundancies in the enterprise Vestas Group, on 14 May 2012 and supplemented it by additional information up to 10 July 2012. 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 7 488 000.

⁹ OJ C 139, 14.6.2006, p. 1.

¹⁰ OJ L 406, 30.12.2006, p. 1.

¹¹ OJ C [...], [...], p. [...].

- (4) 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 2012, the European Globalisation Adjustment Fund (EGF) shall be mobilised to provide the sum of EUR 7 488 000 in commitment and payment appropriations.

Article 2

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

Done at Brussels,

For the European Parliament
The President

For the Council
The President