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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/2012/011 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 21 December 2012, Denmark submitted application EGF/2012/011 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/2012/011
Member State	Denmark
Article 2	(a)
Primary enterprise	Vestas Group
Suppliers and downstream producers	0
Reference period	18.9.2012 – 18.12.2012
Starting date for the personalised services	1.3.2013
Application date	21.12.2012
Redundancies during the reference period	611
Redundancies before and after the reference period	0
Total eligible redundancies	611
Redundant workers expected to participate in the measures	611
Expenditure for personalised services (EUR)	12 151 287
Expenditure for implementing EGF ³ (EUR)	578 000
Expenditure for implementing EGF (%)	4,54
Total budget (EUR)	12 729 287
EGF contribution (50 %) (EUR)	6 364 643

1. The application was presented to the Commission on 21 December 2012 and supplemented by additional information up to 16 July 2013.
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.

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

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.

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, leading to a significant reduction of the EU market share. Denmark explains that while the demand for wind turbine installations is stagnating in Europe, the global market, especially in Asia, has been rapidly developing. 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. Chinese wind turbine manufacturers, which are becoming more competitive in terms of quality and price, not only supply solutions to their own expanding markets, but are also penetrating the European market. Resulting from the dynamic global growth of the sector, Europe's share in total capacity was reduced from 66% in 2006 to 27,5% in 2012⁵.
4. Furthermore, Denmark argues that this is a permanent trend. The demand for renewable energy, including wind power, will be growing dramatically, however the markets will shift. Whereas wind energy was a Europe dominated industry until 2006 and there was balanced growth between Europe, Asia and the USA up to recently, there is surging demand for wind power in Asia and North America today, in South America tomorrow and in Africa in the long-term future. Manufacturing and servicing will move to places where they are demanded and to regions with rapid economic growth. In addition to considerably lower labour costs, the cost of transporting the large parts of wind turbines has pushed European producers to move their production closer to the most dynamic end-user markets in order 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 wind turbine were produced in-house in the past, component production will be increasingly outsourced to regional partners and as result, Vestas will have a lower need for investments and will reduce its staff.
6. This is the third EGF case involving the company Vestas Group and the fourth EGF case in the wind turbines sector. The arguments presented in the previous three cases (EGF/2010/003 DK/Vestas⁷, EGF/2010/022 DK/LM Glasfiber⁸, EGF/2010/017 DK/Midtjylland Machinery⁹) remain valid.

⁴ 'World Wind Energy Association', World Wind Energy Report 2010, Bonn, April 2011. http://www.wwindea.org/home/images/stories/pdfs/worldwindenergyreport2010_s.pdf

⁵ 'World Wind Energy association' The World Wind Energy Association 2012 Annual Report', Bonn, May 2013. http://www.wwindea.org/webimages/WorldWindEnergyReport2012_final.pdf

⁶ Vestas Annual Report 2011

⁷ COM(2012) 502 final.

⁸ COM(2011) 258 final.

⁹ COM(2011) 421 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 611 redundancies in Vestas Group during the reference period from 18 September 2012 to 18 December 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 same Article that these redundancies have actually been effected.

Explanation of the unforeseen nature of those redundancies

9. The Danish authorities argue that the approximately 800 redundancies made by Vestas Group in the municipality of Ringkøbing-Skjern in 2009/2010 were already unforeseen because of the rapid expansion of the global wind energy sector. On January 2012, Vestas announced its plan to make other 1 300 workers redundant. By mid-2012 Vestas reached the number of 1 300 dismissals in Denmark, 788 of whom were included in the previous case EGF/2012/003 DK/Vestas, presented to the Commission in May 2012. The Danish authorities did not therefore expect any additional redundancies and were surprised about the announcement of Vestas in September 2012 that the company would be dismissing 611 further workers.
10. 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 in 2012 the dismissals in the Vestas Group affected to a large extent highly skilled, specialised and well educated workers. This was not anticipated since Denmark has made considerable investments in 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 development of more wind turbines. Finally the municipality of Ringkøbing-Skjern had made considerable 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

11. The application relates to 611 redundancies in Vestas Group, all of whom are targeted for assistance.
12. The break-down of the targeted workers is as follows:

Category	Number	Percent
Men	394	64,48
Women	217	35,52
EU citizens	596	97,55
Non EU citizens	15	2,45
15-24 years old	2	0,33
25-54 years old	518	84,78
55-64 years old	88	14,40
> 64 years old	3	0,49

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

Category	Number	Percent
Directors, CEO Production and operations department managers	13	2,13
Engineers, including project managers, heads of departments	136	22,26
Engineering science technicians	141	23,08
Clerks, office staff	10	1,64
Service Workers	36	5,89
Metal, machinery and related trade workers	3	0,49
Machine operators and assemblers	132	21,60
Manufacturing labourers	140	22,91

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 redundancies affect six municipalities located in the bordering regions of Midtjylland (Ringkøbing-Skjern, Randers, Favrskov, and Aarhus) and Syddanmark (Esbjerg and Varde). There are 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), with an average net increase of more than 3 points¹⁰, and a steep decline in job vacancies (especially in industry and production).
16. 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.

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, Esbjerg, Favrskov, Randers, Aarhus, Roskilde and Copenhagen; trade unions, unemployment insurance funds (A-kasser), employers' representatives, the regions Midtjylland, Syddanmark, Sjælland and the Capital region; the regional Employment Councils; the Ministry of Employment, Enterprise and Growth; local enterprises.

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

17. Following the large scale redundancies in 2009/2010 and from February to September 2012, which affected approximately 2 000 Vestas employees in Ringkøbing-Skjern and surrounding municipalities, this new wave of redundancies is a great challenge for the affected municipalities. Approximately 50% of the redundant workers are well-educated; the other 50% are skilled or semi-skilled workers.

¹⁰ Danmarks Statistik, www.statistikbanken.dk/AUP02

18. Attracting an 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 regions into difficulties. All the municipalities concerned have reported that there are no suitable job openings for the well-educated engineers and specialists and as a result, they will have to move away in search for a job and it will therefore be even more difficult to attract new businesses. For the semi-skilled and skilled workers the chances to find industrial jobs are low, as the number of industrial jobs have been rapidly declining in Denmark since 2008 due to globalisation. With the high-quality industrial jobs, other local service jobs and infrastructures disappear.
19. The redundancies happen at a time when unemployment is rising rapidly. In 2012, it was 34 804 in Syddanmark and 32 571 in Midjylland (compared with 14 030 and 13 132 respectively in 2008)¹¹.

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. As for the case EGF/2012/003 DK/Vestas, 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:
- Counselling, 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 up-skilling packages to maximise their potential and develop their personal, social and occupational skills. The general objectives are to screen and map the competences of participants, provide individual counselling, maintain motivation throughout the project by means of on-going 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 competences of the participants will be screened and mapped. The process will be constantly monitored to assess its impact through questionnaires and interviews.
 - 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 a reduced number of about 500 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:
 - (a) intercultural competencies courses (one-day workshops to make participants aware of the need to acquire intercultural skills in a globalised environment);
 - (b) language courses (including business skills in English, the language of meetings, discussions and presentations; technical languages, possibility to develop tailor-made language training packages);

¹¹ www.dst.dk

- (c) 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);
 - (d) 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 allowances: up to EUR 25 000 per business start-up will be made available after an intensive screening of 40 persons following 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-up will be closely monitored.
 - 55+ Measures with special mentoring and outplacement: Approximately 80 people in the target group aged 55 years or older will receive special mentoring, coaching and counselling and a special effort will be made to find them outplacements. Being potentially disadvantaged due to their age, 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 proposed to people placed in the companies. If needed, special support and training will be also provided to help them to start up as entrepreneurs.
 - Subsistence allowances of EUR 109 per worker per day of participation in the active labour market measures, with an estimated average of 95 days of participation per worker (EUR 10 400).
21. 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 and control activities as well as information and publicity. The municipality of Ringkøbing-Skjern and the administrative project team involving all the municipalities concerned will deploy various 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.
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 at EUR 12 729 287, of which the expenditure for personalised services at EUR 12 151 287 and the expenditure for implementing the EGF at EUR 578 000 (4,54 % of the total amount). The total contribution requested from the EGF is EUR 6 364 643 (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)			
Counselling, mentoring and coaching	611	1 500	916 500
Individualized targeted training packages	500	7 500	3 750 000
Entrepreneurship allowances	40	25 000	1 000 000
55+ Measures with special mentoring and outplacement	80	1 500	120 000
Subsistence allowances	611	10 417	6 364 787
Sub total personalised services			12 151 287
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			12 729 287
<i>EGF contribution (50 % of total costs)</i>			<i>6 364 643</i>

23. 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

24. Denmark started the personalised services to the affected workers included in the co-ordinated package proposed for co-financing to the EGF on 1 March 2013. 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. Social partners were consulted during the preparation of the EGF application. The employment departments of the municipalities of Ringkøbing-Skjern, Aarhus,

Randers, Favrskov, and Varde consulted their local and regional employment commission (LBR and RBR), where all major social partners are represented, including trade unions (LO) and the Danish employer representatives (DA). The social partners are continuously informed about the status of the case via the employment committees of the municipality of Ringkøbing-Skjern and the cooperating municipalities. The Employment Region of Midjylland, which is in charge of communicating with all relevant social partners, is officially represented in the board of the case.

26. 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

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 EU 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 Business 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 Business 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 6 364 643, representing 50 % 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 to 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 triologue meeting will be convened.

33. The Commission presents separately a transfer request in order to enter in the 2013 budget specific commitment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.

Source of payment appropriations

34. Appropriations from the EGF budget line will be used to cover the amount of EUR 6 364 643 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/2012/011 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 management¹², 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 Fund¹³, and in particular Article 12(3) thereof,

Having regard to the proposal from the European Commission¹⁴,

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 21 December 2012 and supplemented it by additional information up to 16 July 2013. 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 6 364 643.
- (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 2013, the European Globalisation Adjustment Fund (EGF) shall be mobilised to provide the sum of EUR 6 364 643 in commitment and payment appropriations.

¹² OJ C 139, 14.6.2006, p. 1.

¹³ OJ L 406, 30.12.2006, p. 1.

¹⁴ OJ C [...], [...], p. [...].

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