



EUROPEAN PARLIAMENT

2009 - 2014

Plenary sitting

A7-0408/2013

28.11.2013

REPORT

on the proposal for a decision of the European Parliament and of the Council on 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/2013/003 DE/First Solar from Germany)
(COM(2013)0706 – C7-0358/2013 – 2013/2263(BUD))

Committee on Budgets

Rapporteur: Nadezhda Neynsky

CONTENTS

	Page
MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION.....	3
ANNEX: DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL	7
EXPLANATORY STATEMENT	9
ANNEX: LETTER OF THE COMMITTEE ON EMPLOYMENT AND SOCIAL AFFAIRS	12
RESULT OF FINAL VOTE IN COMMITTEE	15

MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on the 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/2013/003 DE/First Solar from Germany) COM(2013)0706 – C7-0358/2013 – 2013/2263(BUD))

The European Parliament,

- having regard to the Commission proposal to the European Parliament and the Council (COM(2013)0706 – C7-0358/2013),
 - 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 management¹ (IIA of 17 May 2006), 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 on establishing the European Globalisation Adjustment Fund² (EGF Regulation),
 - having regard to the trilogue procedure provided for in point 28 of the IIA of 17 May 2006,
 - having regard to the letter of the Committee on Employment and Social Affairs,
 - having regard to the report of the Committee on Budgets (A7-0408/2013),
- A. whereas the European Union has set up legislative and budgetary instruments to provide additional support to workers who are suffering from the consequences of major structural changes in world trade patterns and to assist their reintegration into the labour market,
- B. whereas the Union's financial assistance to workers made redundant should be dynamic and made available as quickly and efficiently as possible, in accordance with the Joint Declaration of the European Parliament, the Council and the Commission adopted during the conciliation meeting on 17 July 2008, and having due regard for the IIA of 17 May 2006 in respect of the adoption of decisions to mobilise the European Globalisation Adjustment Fund (EGF),
- C. whereas Germany submitted application EGF/2013/003 DE/First Solar for a financial contribution from the EGF, following 959 redundancies in the enterprise First Solar Manufacturing GmbH with 875 workers targeted for EFG co-funded measures, during the reference period from 15 November 2012 to 15 March 2013,
- D. whereas the application fulfils the eligibility criteria set up by the EGF Regulation,

¹ OJ C 139, 14.6.2006, p. 1.

² OJ L 406, 30.12.2006, p. 1.

1. Agrees with the Commission that the conditions set out in Article 2(a) of the EGF Regulation are met and that, therefore, Germany is entitled to a financial contribution under that Regulation;
2. Notes that the German authorities submitted the application for EGF financial contribution on 12 April 2013, and that its assessment was made available by the Commission on 16 October 2013; welcomes the speedy evaluation period of 6 months;
3. Notes that the redundancies in First Solar Manufacturing GmbH lead to an immediate increase of the rate of unemployment by 4 percentage points, while the area concerned (Land of Brandenburg) is already suffering from an above-average rate of unemployment (11.3 % compared with a national average of 7.4 % in February 2013);
4. Considers that the redundancies in First Solar Manufacturing GmbH involved in solar energy production are linked to major structural changes in world trade patterns, referring to the building up of huge overcapacities in solar modules in China coupled with worldwide decline in demand, which have led to a collapse in prices by about 40% compared with the previous year which further caused the closure of the two plants in 2013;
5. Notes that the concerned redundancies are part of a broad restructuring plan which cut the global work force of First Solar Manufacturing GmbH by 30% to sharply reduce its global production capacity and resulted in closing both sites located in Germany; stresses the added value of EGF to react to redundancies caused by unexpected market changes linked to globalisation;
6. Welcomes the fact that, in order to provide workers with speedy assistance, the German authorities decided to initiate the implementation of the personalised services to the affected workers on 1 January 2013, well ahead of the final decision on granting the EGF support for the proposed coordinated package; notes that redundant workers have also benefitted from the ESF support before participating in the EGF measures; welcomes the fact that the German authorities confirmed that necessary precautions have been taken to avoid double financing from Union funds;
7. Notes that the coordinated package of personalised services to be co-funded includes measures for the reintegration of 875 redundant workers into employment such as training courses leading to qualifications, training management, workshops and peer groups, support services and international job search, in-depth business creation advice, job search, activation grant, follow-up and aftercare, subsistence allowance;
8. Notes that more than half of the EGF support will be spent on allowances - 875 workers are said to receive during their active participation in the measures a subsistence allowance (estimated cost EUR 2 714 per worker over 9 months); further notes that the application includes a lump sum of EUR 1 869 activation premium for 200 workers who quickly find a job without further assistance after the conclusion of the measures;

9. Recalls that the EGF support should primarily be allocated to job search and training programs instead of contributing directly to financial allowances; if included in the package they should be of complementary nature and never replace allowances under the responsibility of Member States or companies by virtue of national law or collective agreements; stresses in this context that the new EGF regulation for 2014-2020 will limit the inclusion of financial allowances in the package to a maximum of 35% of the cost of the measures and that accordingly the rate of allowances within the coordinated package for this demand will not repeat under this new regulation;
10. Welcomes the fact that the social partners adopted a social plan for the redundancies in First Solar Manufacturing GmbH and that a transfer company will design and manage the coordinated package of personalised services; notes that its operation during the first six months is paid by First Solar Manufacturing GmbH and ESF via its Federal programme and that the services of the transfer company will be extended to new measures financed by EGF; notes that a policy of equality of women and men as well as the principle non-discrimination will be applied during the various stages of the implementation of and in access to the EGF;
11. Recalls the importance of improving the employability of all workers by means of adapted training and the recognition of skills and competences gained throughout a worker's professional career; expects the training on offer in the coordinated package to be adapted not only to the needs of the dismissed workers but also to the actual business environment;
12. Notes that the information provided on the coordinated package of personalised services to be funded from the EGF includes information on complementarity with actions funded by the Structural Funds; stresses that the German authorities confirm that the eligible actions do not receive assistance from other Union financial instruments; reiterates its call to the Commission to present a comparative evaluation of those data in its annual reports in order to ensure full respect of the existing regulations and that no duplication of Union-funded services can occur;
13. Requests the institutions involved to make the necessary efforts to improve procedural arrangements in order to accelerate the mobilisation of the EGF; appreciates the improved procedure put in place by the Commission, following Parliament's request for the accelerated release of grants, aimed at presenting to the budgetary authority the Commission's assessment on the eligibility of an EGF application together with the proposal to mobilise the EGF; hopes that further improvements in the procedure will be integrated in the new Regulation on EGF (2014-2020) and that greater efficiency, transparency and visibility of the EGF will be achieved;
14. Stresses that, in accordance with Article 6 of the EGF Regulation, it shall be ensured that the EGF supports the reintegration of individual redundant workers into stable employment; stresses, furthermore, that EGF assistance can co-finance only active labour market measures which lead to durable, long-term employment; reiterates that assistance from the EGF must not replace actions which are the responsibility of companies by virtue of national law or collective agreements nor measures restructuring companies or sectors;

15. Welcomes the agreement reached in the Council on reintroducing in the EGF Regulation, for the period 2014-2020, the crisis mobilisation criterion, which allows for the provision of financial assistance to workers made redundant as a result of the current financial and economic crisis in addition to those losing their job because of changes in global trade patterns.
16. Approves the decision annexed to this resolution;
17. Instructs its President to sign the decision with the President of the Council and arrange for its publication in the Official Journal of the European Union;
18. Instructs its President to forward this resolution, including its annex, to the Council and the Commission.

ANNEX: DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

of ...

on 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/2013/003 DE/First Solar from Germany)

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 management¹, 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 Fund², and in particular Article 12(3) thereof,

Having regard to the proposal from the European Commission,

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) Germany submitted an application to mobilise the EGF, in respect of redundancies in the enterprise First Solar Manufacturing GmbH, on 12 April 2013 and supplemented it by additional information up to 14 August 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 2 305 357.
- (4) The EGF should, therefore, be mobilised in order to provide a financial contribution for the application submitted by Germany,

¹ OJ C 139, 14.6.2006, p. 1.

² OJ L 406, 30.12.2006, p. 1.

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 2 305 357 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

EXPLANATORY STATEMENT

I. Background

The European Globalisation Adjustment Fund has been created in order to provide additional assistance to workers suffering from the consequences of major structural changes in world trade patterns.

According to the provisions of point 28 of the Interinstitutional Agreement of 17 May 2006 on budgetary discipline and sound financial management¹ and of the Article 12 of Regulation (EC) No 1927/2006², the Fund may not exceed a maximum amount of EUR 500 million, drawn from any margin under the global expenditure ceiling from the previous year, and/or from the cancelled commitment appropriations from the previous two years, excluding those related to Heading 1b. The appropriate amounts are entered into the budget as a provision as soon as the sufficient margins and/or cancelled commitments have been identified.

As concerns the procedure, in order to activate the Fund the Commission, in case of a positive assessment of an application, presents to the budgetary authority a proposal for mobilisation of the Fund and, at the same time, a corresponding request for transfer. In parallel, a trilogue could be organised in order to find an agreement on the use of the Fund and the amounts required. The trilogue can take a simplified form.

II. The First Solar Manufacturing GmbH application and the Commission's proposal

On 16 October 2013, the Commission adopted a proposal for a decision on the mobilisation of the EGF in favour of Germany to support the reintegration in the labour market of workers made redundant in First Solar Manufacturing GmbH due to major structural changes in world trade patterns due to globalisation.

This is the tenth application to be examined under the 2013 budget and refers to the mobilisation of a total amount of EUR 2 305 357 from the EGF for Germany. It concerns 959 redundancies in First Solar Manufacturing GmbH with 875 workers targeted for EFG co-funded measures during the reference period from 15 November 2012 to 15 March 2013. All of these redundancies were calculated in accordance with the second indent of the second paragraph of Article 2 of Regulation (EC) No 1927/2006.

The application was sent to the Commission 12 April 2013, supplemented by additional information up to 14 August 2013. The Commission has concluded that the application meets the conditions for deploying the EGF as set out in Regulation (EC) No 1927/2006.

The German authorities argue that First Solar had been producing solar modules in Frankfurt (Oder) since 2007, and that it had started to construct a second factory (estimated cost : EUR 173 million) in the autumn of 2010. In June 2011, this second site started production and was scheduled to reach full capacity during the third quarter of the same year. The company had further long-term investment plans for the site, had bought additional property in Frankfurt (Oder) and announced that it would open two more factories. The suddenness of the market changes (collapse in prices and worldwide demand in decline) caused it to re-evaluate its

¹ OJ C 139, 14.6.2006, p. 1.

² OJ L 406, 30.12.2006, p. 1.

investments in Germany and to take the decision in July 2012 to stop any further expansion and close both plants.

The redundancies in First Solar lead to an immediate increase of the rate of unemployment by 4 percentage points, unless new jobs can be created quickly. The area is already suffering from an above-average rate of unemployment (11.3 % compared with a national average of 7.4 % in February 2013). The unemployment rate in the city of Frankfurt (Oder) is even higher, at 14.1 % (December 2012). The workers made redundant by First Solar are mostly well qualified, but many of them never worked in the fields where they obtained their qualifications. They will therefore need upskilling measures to revitalise and update their original qualifications or to obtain qualifications in the fields of their work experience

The co-ordinated package of personalised services to be co-funded includes measures for the reintegration of 987 workers into employment such as training courses leading to qualifications, training management, workshops and peer groups, support services and international job search, in-depth business creation advice, job search, activation grant, follow-up and aftercare, subsistence allowance.

According to the German authorities, the measures initiated on 01 January 2013 combine to form a co-ordinated package of personalised services and represent active labour market measures with the aim of re-integrating the workers into the labour market.

As regards the criteria contained in Article 6 of Regulation (EC) No 1927/2006, the German 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.

Concerning management and control systems, Germany has notified the Commission that the financial contribution will be administered by the same bodies within the Federal Ministry for Labour and Social Affairs (Bundesministerium für Arbeit und Soziales) which administer the ESF. However, within the 'Gruppe Europäische Fonds für Beschäftigung', it is the 'Referat EF 4' which acts as the managing authority for the EGF, while the managing authority for the ESF is Referat EF 1. The 'Organisationseinheit Prüfbehörde' is the control authority for both EGF and ESF. These bodies also administered the previous EGF contributions to Germany.

III. Procedure

In order to mobilise the Fund, the Commission has submitted to the Budget Authority a transfer request for a global amount of EUR 2 305 357 from the EGF reserve (40 02 43) to the EGF budget line (04 05 01).

This is the eight proposal for the mobilisation of the Fund submitted to the Budget Authority in 2013. 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.

The trilogue on the Commission's proposal for a Decision on the mobilisation of the EGF could take a simplified form, as provided for in Article 12(5) of the legal base, unless there is no agreement between the Parliament and the Council.

According to an internal agreement, the Employment and Social Affairs Committee should be associated to the process, in order to provide constructive support and contribution to the assessment of the applications from the Fund.

ANNEX: LETTER OF THE COMMITTEE ON EMPLOYMENT AND SOCIAL AFFAIRS

EK/nt
D(2013)53015

M. Alain Lamassoure
President of the Committee on budgets
ASP 13E158

Subject: Opinion on the mobilisation of the European Globalisation Adjustment Fund (EGF) for the case EGF/2013/003 DE/First Solar from Germany (COM(2013)706 final)

Dear Chair,

The Committee on Employment and Social Affairs (EMPL) as well as its Working Group on the EGF examined the mobilisation of the EGF for the case **EGF/2013/003 DE/First Solar from Germany** from Germany and adopted the following opinion.

The EMPL committee and the Working Group on the EGF are in favour of the mobilisation of the Fund concerning this request. In this respect, the EMPL committee presents some remarks without, however, putting into question the transfer of the payments.

The deliberations of the EMPL committee are based on the following considerations:

- A) Whereas this application is based on Article 2 (a) of the EGF regulation and targets 875 workers of 1244 workers made redundant in First Solar Manufacturing GmbH during and after or before the reference period between 15 November 2012 and 15 March 2013;
- B) Whereas the German authorities argue that the redundancies were caused by major structural changes in world trade patterns due to globalisation which caused rapid declines in prices by about 40% in 2011 making the production of solar panels not viable in the First Solar sites located in Germany;
- C) Whereas the German authorities claim that the global market of solar panels has been dominated by Chinese producers, who built up huge overcapacities in solar modules; whereas this coupled with global decline in demand leading to decline in prices
- D) Whereas the German authorities further argue that Chinese producers are able to export 80% of their production to the EU as a result of locally available financial support and the Chinese 5-year plan;
- E) Whereas 76,20 % of the workers targeted by the measures are men and 23,80 % are women; whereas 82,60 % of the dismissed are workers between 25 and 54 years old; whereas 13,30% of the targeted workers are older than 55 years;

F) Whereas 56,20% of the redundant workers are plant and machine operators and assemblers, 23% are technicians and associate professions and further 10,40% are senior official and managers;

Therefore, the Committee on Employment and Social Affairs calls on the Committee on Budgets, as the committee responsible, to integrate the following suggestions in its motion for a resolution concerning the German application:

1. Agrees with the Commission that the conditions set out in Article 2 (a) of the EGF regulation (1927/2006) are met and that, therefore, Germany is entitled to a financial contribution under this regulation;
2. Notes that the German authorities submitted the application for EGF financial contribution on 12 April 2013 and that its assessment was made available by the European Commission on 16 October 2013; welcomes the speedy evaluation period;
3. Notes that the concerned redundancies are part of a broad restructuring plan which cut First Solar's global work force by 30% to sharply reduce its global production capacity and resulted in closing both sites located in Germany; stresses the added value of EGF to react to redundancies caused by unexpected market changes linked to globalisation;
4. Welcomes the fact that social partners adopted a social plan for the redundancies in First Solar and that a transfer company will design and manage the coordinated package of personalised services; notes that its operation during the first six months is paid by First Solar and ESF via its Federal programme and that the services of the transfer company will be extended to new measures financed by EGF;
5. Welcomes the fact that the implementation of the coordinated package of personalised services started well ahead of the decision to grant EGF support by the budgetary authority; notes that redundant workers have also benefitted from the ESF support before participating in the EGF measures; welcomes the fact that the German authorities confirmed that necessary precautions have been taken to avoid double financing from EU funds;
6. Notes that more than half of the EGF support will be spent on allowances - 875 workers are said to receive during their active participation in the measures a subsistence allowance (estimated cost EUR 2 714 per worker over 9 months); further notes that the application includes a lump sum of EUR 1 869 activation premium for 200 workers who quickly find job without further assistance after the conclusion of the measures;
7. Recalls that the EGF support should primarily be allocated to job search and training programs instead of contributing directly to financial allowances; if included in the package they should be of complementary nature and never replace allowances under the responsibility of Member States or companies by virtue of national law or collective agreements; stresses in this context that the new EGF regulation for 2014-2020 will limit the inclusion of financial allowances in the package to a maximum of 35% of the cost of the measures and that accordingly the rate of allowances within the coordinated package for this demand will not repeat under this new regulation;

Yours sincerely,

Pervenche Berès

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	27.11.2013
Result of final vote	+: 26 -: 3 0: 0
Members present for the final vote	Marta Andreasen, Zuzana Brzobohatá, Jean Louis Cottigny, Jean-Luc Dehaene, James Elles, Göran Färm, José Manuel Fernandes, Eider Gardiazábal Rubial, Salvador Garriga Polledo, Jens Geier, Ingeborg Gräßle, Lucas Hartong, Jutta Haug, Monika Hohlmeier, Sidonia Elżbieta Jędrzejewska, Ivailo Kalfin, Sergej Kozlik, Jan Kozłowski, George Lyon, Jan Mulder, Vojtěch Mynář, Juan Andrés Naranjo Escobar, Dominique Riquet, Oleg Valjalo, Angelika Werthmann
Substitute(s) present for the final vote	Maria Da Graça Carvalho, Frédéric Daerden, Jürgen Klute
Substitute(s) under Rule 187(2) present for the final vote	Juozas Imbrasas