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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/2011/013 DK/Flextronics from Denmark)
(COM(2012)0623 – C7-0362/2012 – 2012/2278(BUD))

Committee on Budgets

Rapporteur: Jan Kozłowski

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

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/2011/013 DK/Flextronics from Denmark) (COM(2012)0623 – C7-0362/2012 – 2012/2278(BUD))

The European Parliament,

- having regard to the Commission proposal to Parliament and the Council (COM(2012)0623 – C7-0362/2012),
 - 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 (A7-0417/2012),
- A. whereas the Union has set up the appropriate legislative and budgetary instruments to provide additional support to workers who are suffering as a result of the major structural changes in world trade patterns and to assist workers reintegration into the labour market,
- B. whereas the scope of the European Globalisation Adjustment Fund (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,
- C. 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 EGF,
- D. whereas Denmark has requested assistance for 303 redundancies, 153 of which are targeted for assistance, in Flextronics International Denmark A/S during the four month

¹ OJ C 139, 14.6.2006, p. 1.

² OJ L 406, 30.12.2006, p. 1.

reference period from 1 July 2011 to 31 October 2011, including 87 redundancies outside the reference period, but related to the same collective redundancy procedure.

- E. whereas the application fulfils the eligibility criteria laid down by the EGF Regulation,
1. Agrees with the Commission that the conditions set out in Article 2(c) of the EGF Regulation are met and that, Denmark is therefore entitled to a financial contribution under that Regulation;
 2. Notes that the Danish authorities submitted the application for EGF financial contribution on 21 December 2011, supplemented by additional information up to 23 August 2012, and that its assessment was made available by the Commission only on 19 October 2012; regrets the lengthy evaluation periods and enquires as to why this particular Danish application required 10 months of assessment; urges the Commission to speed up the evaluation process;
 3. Welcomes the fact that, in order to provide workers with immediate assistance, the Danish authorities decided to start the implementation of the measures on 21 March 2012, ahead of the final decision about granting EGF support for the proposed coordinated package;
 4. Welcomes the Danish application; deplores, however, the fact that, despite several successful Danish mobilisations of the EGF under both the trade-related criteria and the crisis related criteria, Denmark is among the countries undermining the future of the EGF after 2013 and is blocking the extension of the crisis derogation; it is of concern, furthermore, that Denmark is applying for the mobilisation of the EGF fund on behalf of the Flextronics International Denmark, established by the Singapore-registered Flextronics International Ltd, which is moving its facilities to Asia;
 5. Recalls the importance of improving the employability of all workers by means of adapted training and the recognition of skills and competences gained throughout the professional career; expects the training on offer in the coordinated package to be adapted not only to the level and needs of the dismissed workers, but also to the actual business environment;
 6. Calls for reciprocity in trade between the Union and third countries as an essential condition for EU companies to gain access to new non-European markets;
 7. Highlights the fact that lessons should be learned from the preparation and implementation of this application and other applications involving the mass dismissal of workers;
 8. Notes that the Danish authorities noted in their assessment that only 153 of 303 workers dismissed would choose to participate in the measures; calls on the Danish authorities to use the EGF support to its full potential;
 9. Requests that the institutions involved make the necessary efforts to improve procedural and budgetary arrangements to accelerate the mobilisation of the EGF; appreciates the

improved procedure put in place by the Commission, following Parliament's request for accelerating the release of grants, aimed at presenting the Commission's assessment on the eligibility of an EGF application, along with the proposal to mobilise the EGF, to the budgetary authority; hopes that further improvements in the procedure will be integrated in the new Regulation on the European Globalisation Adjustment Fund (2014–2020) and that greater efficiency, transparency and visibility of the EGF will be achieved;

10. Notes that the region of Midtjylland, where the municipality of Skive is located, has already benefited from the EGF support by means of two applications, namely EGF/2010/017 Midtjylland Machinery and EGF/2012/003 Vestas;
11. Recalls the institutions' commitment to ensure a smooth and rapid procedure for the adoption of the decisions on the mobilisation of the EGF, providing once-off, time-limited individual support which is geared towards helping workers who have been made redundant as a result of globalisation and the financial and economic crisis; emphasises the role that the EGF can play in the reintegration of workers made redundant into the labour market;
12. Notes that the Danish authorities propose an expensive, coordinated package of personalised services (EUR 12 891 per worker); welcomes, however, the fact that the package consists of measures that are additional and innovative, compared to those regularly offered by employment agencies, and the package is adapted to assist different groups of workers in terms of skills and experience, so that they can cope with the difficult local labour market;
13. Stresses that, in accordance with Article 6 of the EGF Regulation, it should be ensured that the EGF supports the reintegration of individual redundant workers into employment; further stresses that the EGF assistance can only co-finance 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;
14. Welcomes the fact that vocational training courses target new areas of possible growth and that the design of the coordinated package is based on an in-depth research of the local labour market and of the features of the dismissed workers;
15. Notes that information provided about the coordinated package of personalised services to be funded from the EGF includes information about how it complements actions funded by the Structural Funds; 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;
16. Welcomes the fact that the coordinated package of personalised services also offers courses to start a new business, which is foreseen for 20 workers; notes that no financial incentive is proposed for business start-ups;
17. Welcomes the fact that, following requests from Parliament, the 2012 budget shows payment appropriations of EUR 50 000 000 on the EGF budget line 04 05 01; recalls that

the EGF was created as a separate specific instrument, with its own objectives and deadlines. and therefore deserves a dedicated allocation, which will avoid transfers to the extent possible from other budget lines, as has happened in the past, which could be detrimental to the achievement of the policy objectives of the EGF;

18. Notes, however, the subsistence allowance of EUR 4 439 per worker for the participation in the measures and considers it as too high an allowance; recalls that the EGF should, in future, be primarily allocated to training and job searches, as well as occupational orientation programmes and its financial contribution to allowances should always be of an additional nature and in parallel with what is available to dismissed workers by virtue of national law or collective agreements;
19. Regrets the decision of the Council to block the extension of the "crisis derogation", 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, and allows for an increase in the rate of Union co-financing to 65% of the programme costs for applications submitted after the 31 December 2011 deadline; calls on the Council to reintroduce this measure without delay;
20. Approves the decision annexed to this resolution;
21. Instructs its President to sign the decision with the President of the Council and to arrange for its publication in the *Official Journal of the European Union*;
22. 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

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/2011/013 DK/Flextronics 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 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 scope of the EGF was broadened for applications submitted from 1 May 2009 to 30 December 2011 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 on 21 December 2011 to mobilise the EGF, in respect of redundancies in the enterprise Flextronics International Denmark A/S, and supplemented it by additional information up to 23 August 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 1 370 910.

¹ OJ C 139, 14.6.2006, p. 1.

² OJ L 406, 30.12.2006, p. 1.

- (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 2012, the European Globalisation Adjustment Fund shall be mobilised to provide the sum of EUR 1 370 910 in commitment and payment appropriations.

Article 2

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

Done at,

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 the 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 dialogue could be organised in order to find an agreement on the use of the Fund and the amounts required. The dialogue can take a simplified form.

II. State of play: Commission's proposal

On 19 October 2012, the Commission adopted a new proposal for a decision on the mobilisation of the EGF in favour of Denmark in order to support the reintegration in the labour market of workers made redundant due to major structural changes in world trade patterns due to globalisation.

This is the eighteenth application to be examined under the 2012 budget and refers to the mobilisation of a total amount of EUR 1 370 910 from the EGF for Denmark. It concerns 216 redundancies in Flextronics International Denmark A/S during the four-month reference period from 1 July 2011 to 31 October 2011 and a further 87 outside the reference period but related to the same collective redundancies procedure. All 303 redundancies were calculated in accordance with the first indent of the second paragraph of Article 2 of Regulation (EC) No 1927/2006.

The application was presented to the Commission on 21 December 2011 and supplemented by additional information up to 23 August 2012. The Commission has concluded that the application meets the conditions for deploying the EGF as set out in Article 2(c) of Regulation (EC) No 1927/2006, and was submitted within the deadline of 10 weeks referred to in Article 5 of that Regulation. The Danish authorities argued that the application is made in exceptional circumstances and justifies the request for EGF support by the importance of the employer in the local labour market, the overall labour market situation in the municipality of Skive as well as demographic trends.

¹ OJ C 139, 14.6.2006, p. 1.

² OJ L 406, 30.12.2006, p. 1.

One of the key criteria for Commission's assessment was the evaluation of the link between the redundancies and major structural changes in world trade patterns due to globalisation.

The Danish authorities argue that the redundancies at Flextronics Denmark are a direct consequence of the major structural changes in world trade patterns in the area of services provided by Flextronics Denmark, i.e. design and electronics manufacturing services to original electronic equipment manufacturers.

Flextronics International Denmark A/S was created in 2004 as part of Flextronics International Ltd., which itself was registered in 1990 in Singapore, having grown from an originally US American company founded in Silicon Valley in 1969. Flextronics in 2011 was ranked, according to CircuitsAssembly.com¹, as the second global Electronics Manufacturing Services (EMS) company by revenue.

The recent trend in electronic equipment production of moving facilities to Asia was also followed by Flextronics, as the Singapore headquarters decided to close the Danish enterprise while at the same time expanding outside Europe. On the development agenda of Flextronics International Ltd. there is a focus on the creation of huge production parks in South America and South East Asia².

Flextronics Denmark was an important producer of printed circuit boards (PCBs) which are ubiquitous components of any electronic equipment such as smart cards, electronic gaming, digital cameras, mobile phones, personal computer electronics, etc. With the company outsourcing this production to a daughter company Multek, one of the best-known PCB suppliers in the world, providing one-stop interconnect solutions in the electronic industry, the output of Flextronics Denmark and the relevant European PCBs market was no longer of any interest to Flextronics International Ltd.

Founded in 1978, currently Multek has more than 12 000 workers across the globe working at ten facilities on four different continents. There are only 420 employees left in Europe (Rigid PCB Manufacturing-Germany) and 370 in the USA, while the venues in China are expanding rapidly (with 10 900 employees), supplying the booming electronic industry in South Asia. Japan and the Asia-Pacific region collectively account for a major share of the worldwide PCBs market as do India and China. A key reason for the growing significance of these countries is the rapid expansion of electronic manufacturing there, not least due to the cost of labour and manufacturing cost benefits³.

Under these circumstances, and with shrinking markets in Europe for the production of electronics in general and PCBs in particular, the decision to close Flextronics Denmark was taken by the headquarters of the company in August 2011.

The co-ordinated package of personalised services to be funded, including its compatibility with actions funded by the Structural Funds, includes measures for the reintegration of the 153 targeted workers into employment, such as assessment of qualifications and competences, general education and vocational training for unskilled labour, vocational training for skilled

¹ <http://www.circuitsassembly.com/cms/component/content/article/159/10901-ems-top-50>

² <http://investors.flextronics.com/phoenix.zhtml?c=98555&p=irol-irhome>

³ <http://www.electronics.ca>

labour, technical courses for technicians, specialised courses for managers and engineers, preparation courses for future entrepreneurs, business planning and counselling, individual outplacement and subsistence allowances.

According to the Danish authorities, all the aforementioned measures 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. These personalised services started on 21 March 2012.

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.

Concerning management and control systems, Denmark has notified the Commission that the financial contribution will be managed and controlled by the same bodies that manage and control the European Social Fund (ESF) in Denmark.

In accordance with Commission's assessment, the application fulfils the eligibility criteria set up by the EGF Regulation and recommends to the Budget Authority to approve the applications.

The amount of payment appropriations initially entered on the budget line 04 05 01 in 2012 will be fully consumed after the adoption by the two arms of the budgetary authority of the proposals submitted to date for mobilising the EGF and therefore insufficient to cover the amount needed for the present application. A reinforcement of the payment appropriations of the EGF budget line in the amount of 17 657 535 EUR in payment appropriations has been requested through a Draft amending budget No. 6/2012. Appropriations from this budget line, thus reinforced, will be used to cover the amount of EUR 1 370 910 needed for the present application.

III. Procedure

The Commission has presented a transfer request in order to enter specific commitment appropriations in the 2012 budget, as required in Point 28 of the Interinstitutional Agreement of 17 May 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.

The Joint Declaration of the European Parliament, the Council and the Commission, adopted during the conciliation meeting on 17 July 2008, has confirmed the importance of ensuring a rapid procedure with due respect of the Interinstitutional Agreement for the adoption of decisions on the mobilisation of the Fund.

ANNEX: LETTER OF COMMITTEE ON EMPLOYMENT AND SOCIAL AFFAIRS

EK/ic
D(2012)55157

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/2011/013 DK/Flextronics (COM(2012)623)

Dear Mr Lamassoure,

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/2011/013 DK/Flextronics** 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 (c) of the EGF regulation and targets 153 out of 303 eligible redundancies that occurred before, during and after the reference period between 1 July and 31 October 2011 in single enterprise Flextronics International Denmark A/S;
- B) Whereas Denmark establishes a link between the redundancies and the major structural changes in world trade patterns in the area of design and electronics manufacturing services;
- C) Whereas the owner of Flextronics International Denmark A/S, based in Singapore, decided to close down the Danish enterprise in result of the decision to create huge production parks in South America and South East Asia;
- D) Whereas the company outsourced the production of printed circuit boards (PCBs) to one of the best-known PCB supplier in the world, maintaining Flextronics Denmark operational was not in the interest of the owner Flextronics International Ltd (based in Singapore), in particular, in the situation where Japan and the Asia Pacific region account now for major share of the PCBs world market;
- E) Whereas the Danish authorities argue that the closure of Flextronics was a serious burden on the local economy and employment in the municipality of Skive, which suffered from 35% drop in industrial jobs during the period 2006-2011 and the job losses were more important than in the other parts of Denmark;

- F) Whereas 47,06 % of the workers targeted by the measures are men and 52,94 % are women; whereas 77,12 are aged between 25 and 54 years and 19,61% of the workers are older than 55 years;
- G) Whereas 71,89% of the redundant workers are plant and machine operators and 13,07% fall under the category of technicians and associate professionals;

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 Danish application:

1. Agrees with the Commission that the conditions set out in Article 2 (c) of the EGF regulation (1927/2006) are met and that, therefore, Denmark is entitled for a financial contribution under this regulation.
2. Welcomes the Danish application, however, deplores the fact that, despite several successful Danish mobilisations of the EGF under both the trade-related and the crisis related criteria, Denmark is among the countries undermining the future of the Fund after 2013 and blocking the extension of the crisis derogation; furthermore, it is of concern that Denmark is applying for the mobilisation of the EGF fund on behalf of the Flextronics International Denmark, established by the Singapore-registered Flextronics International Ltd, which is moving its facilities to Asia.
3. Notes that the Danish authorities submitted the application for EGF financial contribution on 21 December 2011 and that its assessment was made available by the European Commission only on 19 October 2012; regrets the lengthy evaluation periods and inquires why this particular Danish application required 10 months of assessment; urges the Commission to speed up the evaluation process;
4. Calls for reciprocity in trade between the EU and third countries as a an essential condition for EU companies to gain access to new non European markets;
5. Notes that the Danish authorities inform that in their assessment only 153 of 303 workers dismissed would choose to participate in the measures; calls on the Danish authorities to use the EGF support to its full potential;
6. Notes that the region of Midtjylland, where the municipality of Skive is located, has already benefited from the EGF support by means of two applications EGF/2010/017 Midtjylland Machinery and EGF/2012/003 Vestas;
7. Notes that the Danish authorities propose a expensive coordinated package of personalised services (EUR 12 891 per worker); welcomes, however, the fact that the package consists of measures that are additional and innovative compared to those offered regularly by the employment agencies and are adapted to assist different groups of workers in terms of skills and experience so that they can cope with the difficult local labour market;

8. Welcomes the fact that the vocational training courses target new areas of possible growth and that the design of the coordinated package is based on an in-depth research of the local labour market and of the features of the dismissed workers; ;
9. Welcomes the fact that the coordinated package of personalised services offers also courses to start a new business which are foreseen for 20 workers; notes that no financial incentive is proposed for business-start ups;
10. Notes, however, the subsistence allowance of EUR 4 439 per worker for the participation in the measures and considers them as too high; recalls that the EGF should in the future be primarily allocated to training and job search as well as occupational orientation programs, and its financial contribution to allowances should always be of additional nature and in parallel to what is available to dismissed workers by virtue of national law or collective agreements;

Yours sincerely,

Pervenche Berès

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	10.12.2012
Result of final vote	+: 34 -: 0 0: 1
Members present for the final vote	Marta Andreasen, Francesca Balzani, Zuzana Brzobohatá, Jean Louis Cottigny, Isabelle Durant, Göran Färm, Eider Gardiazábal Rubial, Jens Geier, Ingeborg Gräßle, Jutta Haug, Monika Hohlmeier, Sidonia Elżbieta Jędrzejewska, Anne E. Jensen, Jan Kozłowski, Alain Lamassoure, Giovanni La Via, George Lyon, Barbara Matera, Jan Mulder, Juan Andrés Naranjo Escobar, Dominique Riquet, Alda Sousa, László Surján, Derek Vaughan, Angelika Werthmann
Substitute(s) present for the final vote	Maria Da Graça Carvalho, Frédéric Daerden, Gerben-Jan Gerbrandy, Edit Herczog, Jürgen Klute, Erminia Mazzoni, Georgios Papastamkos, Georgios Stavrakakis, Nils Torvalds
Substitute(s) under Rule 187(2) present for the final vote	Jean-Pierre Audy