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A7-0410/2013

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/2012/011 DK/Vestas from Denmark)
(COM(2013)0703 – C7-0357/2013 – 2013/2262(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/2012/011 DK/Vestas from Denmark) (COM(2013)0703 – C7-0357/2013 – 2013/2262(BUD))

The European Parliament,

- having regard to the Commission proposal to Parliament and the Council (COM(2013)0703 – C7-0357/2013),
 - 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 (A7-0410/2013),
- 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 EGF,
- C. whereas Denmark submitted application EGF/2012/011 DK/Vestas for a financial contribution from the EGF, following 611 redundancies in Vestas Group with 611 workers targeted for EFG co-funded measures, during the reference period from 18 September 2012 to 18 December 2012,
- D. whereas the application fulfils the eligibility criteria laid down 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, Denmark is entitled to a financial contribution under that Regulation;
2. Notes that the Danish authorities submitted the application for EGF financial contribution on 21 December 2012 and that its assessment was made available by the European Commission on 16 October 2013; notes that the evaluation of this application took much longer compared to the previous Vestas case submitted by Denmark in May 2012;
3. Considers that the redundancies in the company Vestas Group involved in wind turbine manufacturing are linked to major structural changes in world trade patterns due to globalisation, referring to a stagnation of demand for wind turbine installations in Europe and an increase of the market in Asia, a penetration of European market by Chinese wind turbine manufacturers at more competitive prices and a significant reduction of the EU market share in total capacity from 66% in 2006 to 27,5% in 2012¹;
4. Is of the opinion that the EU wind energy market is set to grow further generating demand for Europe's wind turbine manufacturers and associated industries through the on-going promotion of energy from renewable sources at Union level; points in this respect to the mandatory national targets for the use of renewable energy by 2020; therefore, expresses concern about this particular relocation and points out the risk of importation of wind turbines produced in Asia to the European market;
5. Notes that the concerned dismissals are the direct result of the strategic decision taken by Vestas group in November 2011 to reorganise its structure and increase proximity to its customers in the regional markets, especially in China; notes that the affected region of Ringkøbing-Skjern invested considerably in infrastructure to attract an innovative enterprise such as Vestas group and the decision of Vestas puts the regions into difficulties;
6. Notes that Vestas Group was already subject to large scale redundancies in 2009/2010, with a new wave from 2012 bringing the number of affected Vestas employees to approximately 2000, which represents a great challenge for the affected municipalities already subject to a rapid increase of unemployment²;
7. Notes that this is the third EGF case involving the company Vestas Group and the fourth EGF case in the wind turbines sector (EGF/2010/003 DK/Vestas³, EGF/2010/022 DK/LM Glasfiber⁴, EGF/2010/017 DK/Midtjylland Machinery⁵);
8. Welcomes the fact that, in order to provide workers with speedy assistance, the Danish

¹ 'World Wind Energy association' The World Wind Energy Association 2012 Annual Report', Bonn, May 2013. http://www.wwindea.org/webimages/WorldWindEnergyReport2012_final.pdf

² www.dst.dk

³ COM(2012)0502 – Decision 2012/731/EU (OJ L 328, 28.11.2012, p. 19).

⁴ COM(2011)0258 – Decision 2011/469/EU (OJ L 195, 27.7.2011, p. 53).

⁵ COM(2011)0421 – Decision 2011/725/EU (OJ L 289, 8.11.2011, p. 31).

authorities decided to initiate the implementation of the personalised services to the affected workers on 1 March 2013, well ahead of the final decision on granting the EGF support for the proposed coordinated package;

9. Notes that the coordinated package of personalised services to be co-funded includes measures for the reintegration of 611 redundant workers into employment such as counselling, mentoring and coaching, individualised targeted training packages (intercultural training courses, language courses, entrepreneurship training, off-the shelf courses and training programmes), entrepreneurship allowances, 55+ measures with special mentoring and outplacement, subsistence allowances;
10. Welcomes the fact that the workers will follow individualised targeted training packages meeting their needs as defined during the counselling and coaching phase;
11. Welcomes the fact that the coordinated package provides for measures with special mentoring and outplacement for workers aged 55 years or older, who are likely to experience additional difficulties in finding new job due to their age;
12. Notes that the package contains considerable financial incentives for setting-up own businesses (up to EUR 25 000) which will strictly be linked to participation in entrepreneurship courses and monitoring exercise at the end of the EGF project;
13. Regrets however that more than half of the EGF support will be spent on financial allowances - all workers are said to receive subsistence allowance which is estimated at EUR 10 400 per worker;
14. Recalls that the EGF support should primarily be allocated to job search and training programs instead of contributing directly to financial allowances; notes that, if included in the package, such allowances 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 period will introduce a cap on financial allowances, which shall not constitute more than 35% of the cost of the package and that accordingly the rate of allowances within the coordinated package for this demand will not be repeated under the new regulation;
15. Welcomes the fact that the social partners, including trade unions, were consulted during the preparation of EGF application, and 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;
16. 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;

17. 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 Danish 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;
18. 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 EGF Regulation for 2014-2020 and that greater efficiency, transparency and visibility of the EGF will be achieved;
19. 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;
20. 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;
21. Approves the decision annexed to this resolution;
22. 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;
23. 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/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 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) 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,

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 shall be mobilised to provide the sum of EUR 6 364 643 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 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 Vestas Group 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 Denmark to support the reintegration in the labour market of workers made redundant in enterprise Vestas Group due to major structural changes in world trade patterns due to globalisation.

This is the eighth application to be examined under the 2013 budget and refers to the mobilisation of a total amount of EUR 6 364 643 from the EGF for Denmark. It concerns 611 redundancies in Vestas Group with 611 workers targeted for EFG co-funded measures during the reference period from 18 September 2012 to 18 December 2012. 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 21 December 2012, supplemented by additional information up to 16 July 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 Danish authorities argue that the wind turbine manufacturing industry in EU has been seriously affected by changes in world trade patterns leading to a significant reduction of the EU market share. 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

¹ OJ C 139, 14.6.2006, p. 1.

² OJ L 406, 30.12.2006, p. 1.

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.

The Danish authorities state 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 worker. 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.

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).

The co-ordinated package of personalised services to be co-funded includes measures for the reintegration of 611 workers into employment such as counselling, mentoring and coaching, individualised targeted training packages (intercultural training courses, language courses, entrepreneurship training, off-the shelf courses and training programmes), entrepreneurship allowances, 55+ measures with special mentoring and outplacement, subsistence allowances.

According to the Danish authorities, the measures initiated on 1 March 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 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 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

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 6 364 643 from the EGF reserve (40 02 43) to the EGF budget line (04 05 01).

This is the eighth 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)53024

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 application EGF/2012/011 DK/Vestas from Denmark (COM(2013)703 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 application **EGF/2012/011 DK/Vestas from Denmark** 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 to support 611 workers dismissed within the reference period between 18 September 2012 and 18 December 2012 in the company Vestas manufacturing wind turbines;
- B) Whereas the Danish authorities argue that the redundancies were caused by major structural changes in the wind turbine market worldwide leading to a significant reduction of the EU market share;
- C) Whereas the EU demand is stagnating and the global market and especially Asia has been rapidly developing Vestas Group decided to relocate closer to the developing markets in order to reduce production and transport costs;
- D) Whereas this new case concerning the wind industry in one Member State demonstrates the need for an EU industrial strategy and an upgrading of the restructuring practices to enhance energy transition while preserving jobs;
- E) Whereas the Danish authorities claim that the concerned redundancies were unexpected given that the waves of dismissals in Vestas Group took place already in 2009/2010 and mid-2012 and that the Danish government had been negotiating an ambitious energy policy for the years 2012-2020 with increased development of wind turbines;

- F) Whereas the impact of redundancies is expected to be locally significant given that the six affected municipalities have steadily rising unemployment rates and in particular long-term unemployment;
- G) Whereas 64,48 % of the workers targeted by the measures are men and 35,52 % are women; whereas 84,78 % of the workers are between 25 and 54 years old and more than 14,40% are above the age of 55;
- H) Whereas the dismissed workers belong to highly skilled, well-educated or specialised workers: 23,08% are engineering science technicians, 22,26% are engineers, 22,91 are manufacturing labourers and 21,60% are machine operators and assemblers.

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 (a) of the EGF regulation (1927/2006) are met and that, therefore, Denmark is entitled to a financial contribution under this regulation;
2. Notes that the Danish authorities submitted the application for EGF financial contribution on 21 December 2012 and that its assessment was made available by the European Commission on 16 October 2013; notes that the evaluation of this application took much longer compared to the previous Vestas case submitted by Denmark in May 2012;
3. Is of the opinion that the EU wind energy market is set to grow further generating demand for Europe's wind turbine manufacturers and associated industries through the on-going promotion of energy from renewable sources at EU level; points in this respect to the mandatory national targets for the use of renewable energy by 2020; therefore, expresses concern about this particular relocation and points out the risk of importation of wind turbines produced in Asia to the European market;
4. Notes that this is the fourth EGF application addressing the layoffs in the wind turbine industry, all of them from Denmark and the third application concerning Vestas group (EGF/2010/003 DK/Vestas, EGF/2010/017 DK Midtjylland Machinery, EGF/2010/022 DK/LM Glasfiber, EGF, EGF/2012/003 DK/Vestas);
5. Notes that the concerned dismissals are the direct result of the strategic decision taken by Vestas group in November 2011 to reorganise its structure and increase proximity to its customers in the regional markets, especially in China; notes that the affected region of Ringkøbing-Skjern invested considerably in infrastructure to attract an innovative enterprise such as Vestas group and the decision of Vestas puts the regions into difficulties;
6. Welcomes that the implementation of the coordinated package of personalised services started on 1 March 2013 - well ahead of the decision to grant EGF support by the budgetary authority;
7. Welcomes the fact that the workers will follow individualised targeted training packages meeting their needs as defined during the counselling and coaching phase;

8. Welcomes the fact that the coordinated package provides for measures with special mentoring and outplacement for workers aged 55 years or older, who are likely to experience additional difficulties in finding new job due to their age;
9. Notes that the package contains considerable financial incentives for setting-up own businesses (up to EUR 25 000) which will strictly be linked to participation in entrepreneurship courses and monitoring exercise at the end of the EGF project;
10. Regrets however that more than half of the EGF support will be spent on financial allowances - all workers are said to receive subsistence allowance which is estimated at EUR 10 400 per worker;
11. 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 period will introduce a cap on financial allowances, which shall not constitute more than 35% of the cost of the package and that accordingly the rate of allowances within the coordinated package for this demand will not repeat under the new regulation;
12. Welcomes the fact that the social partners have been consulted during the preparation phase of the package and that they are continuously informed on about the status of the case.

Yours sincerely,

Pervenche Berès

RESULT OF FINAL VOTE IN COMMITTEE

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| Date adopted | 27.11.2013 |
| Result of final vote | +: 24 -: 3 0: 0 |
| Members present for the final vote | Marta Andreasen, Zuzana Brzobohatá, Jean-Luc Dehaene, James Elles, Göran Färm, José Manuel Fernandes, Eider Gardiazábal Rubial, Salvador Garriga Polledo, Jens Geier, 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 | Frédéric Daerden, Jürgen Klute, Paul Rübig |
| Substitute(s) under Rule 187(2) present for the final vote | Juozas Imbrasas |