



EUROPEAN COMMISSION

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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/2010/022 DK/LM Glasfiber 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 7 July 2010, Denmark submitted application EGF/2010/022 DK/LM Glasfiber for a financial contribution from the EGF, following redundancies in LM Glasfiber 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/2010/022
Member State	Denmark
Article 2	(a)
Primary enterprise	LM Glasfiber
Suppliers and downstream promoters	0
Reference period	1.1.2010 – 30.4.2010
Starting date for the personalised services	1.8.2010
Application date	7.7.2010
Redundancies during the reference period	651
Redundancies before and after the reference period	999
Total eligible redundancies	1 650
Redundant workers targeted for support	825
Expenditure for personalised services (EUR)	9 191 946
Expenditure for implementing EGF ³ (EUR)	419 463
Expenditure for implementing EGF (%)	4,36
Total budget (EUR)	9 611 409
EGF contribution (65 %) (EUR)	6 247 415

1. The application was presented to the Commission on 7 July 2010 and supplemented by additional information up to 3 February 2011.
2. The application meets the conditions for deploying the EGF as set out in Article 2(a) of Regulation (EC) No 1927/2006, and was submitted within the deadline of 10 weeks referred to in Article 5 of that Regulation.

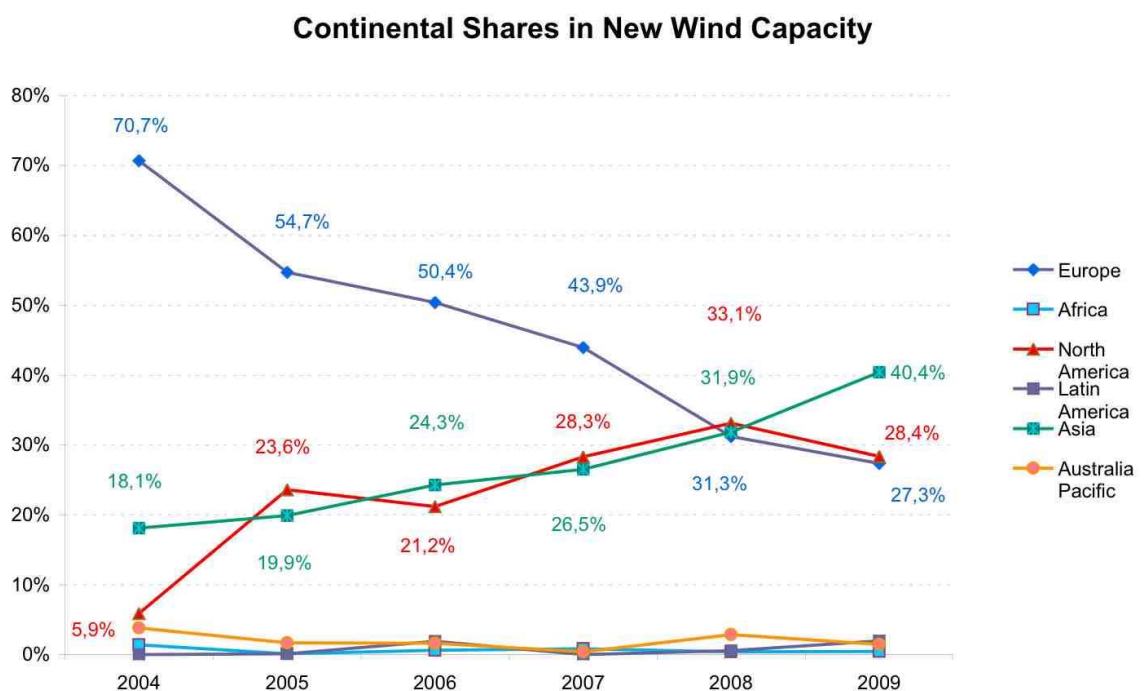
¹ OJ C 139, 14.6.2006, p. 1.

² OJ L 406, 30.12.2006, p. 1.

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

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

3. In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, Denmark argues that the wind turbine manufacturing industry in the EU, which is included in NACE Revision 2 Division 28 ('Manufacture of machinery and equipment'), has been seriously affected by changes in world trade patterns, in particular a significant reduction of the EU market share. Denmark explains that, although the European production of wind turbines has increased in the past few years, the global market for wind turbines has developed even faster, especially in Asia and North America.
4. Denmark quotes the World Wind Energy Report 2009 prepared by the World Wind Energy Association, which shows that the most dynamic progress of the wind industry took place in Asia and North America and the focus of the global wind sector moved away from Europe. Amid a dynamic global growth of the sector, Europe's share in total capacity was reduced from 65,5 % in 2006 to 47,9 % in 2009. Asia is expanding most rapidly, accounting for 40,4 % of the new wind capacity in 2009 (in comparison to 18,1 % in 2004) while Europe fell back from 70,7% of new capacity in 2004 to only 27,3% in 2009.



(Source: World Wind Energy Report 2009, WWEA World Wind Energy Association)

5. Apart from considerably lower labour costs, the high costs of transporting the big parts of wind turbines require European producers to move their production closer to the most dynamic end-user markets to ensure their competitiveness and market position. As a result, production has been progressively migrating out of the EU. LM Glasfiber delocalised its activities to China, where the prospects for the wind energy sector are better and market growth is strong. The company increased its production

capacity in China through the construction of factories and partnerships with key players in Asian markets. Factories were opened in 2009 in the Chinese province of Xinjiang and in the coastal city Qin Huang Dao.

6. In addition, the new economic context as a result of the financial and economic crisis negatively affected the EU wind industry in 2009. As a result, the Danish wind industry experienced a sharp drop in employment in that year, as well as a drop in turnover.

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 651 redundancies in LM Glasfiber during the four-month reference period from 1 January 2010 to 30 April 2010 and 976 redundancies before and 23 after the reference period, but related to the same collective redundancy procedure. All of these redundancies were calculated in accordance with the first indent of the second paragraph of Article 2 of Regulation (EC) No 1927/2006.

Explanation of the unforeseen nature of those redundancies

9. The Danish authorities argue that, in the light of the fact that the wind energy sector has been constantly growing, the collective redundancies in LM Glasfiber happened unexpectedly. They further argue that the sudden reduction in demand on the EU market, as well as the significant and constant growth of the Asian market, left the company with no alternative but to reduce production facilities in Europe and move them to the growing markets in China. Therefore, LM Glasfiber entered a strategic partnership with the Chinese wind turbine manufacturer Goldwind Science and Technology Co and opened two factories in China, in the province of Xinjiang and in Qin Huang Dao.

Identification of the dismissing enterprises and workers targeted for assistance

10. The application relates to 1 650 redundancies in LM Glasfiber, of which 651 occurred during the reference period, 976 before the reference period and 23 after the reference period but which are eligible for inclusion according to Article 3a (b) of Regulation (EC) No 1927/2006. Denmark estimates that 50 % of the redundant workers (825) will opt to receive assistance from the EGF. The remaining 50 % are expected to find employment through their own initiative without requiring assistance from the EGF.
11. The break-down of the targeted workers is as follows:

Category	Number	Percent
Men	606	73,45
Women	219	26,55
EU citizens	825	100,00
Non EU citizens	0	0

15-24 years old	84	10,18
25-54 years old	655	79,39
55-64 years old	79	9,58
> 64 years old	7	0,85

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

Category	Number	Percent
Legislators, senior officials and managers	1	0,12
Professionals	2	0,24
Technicians and associate professionals	93	11,27
Clerks	24	2,91
Craft and related trades workers	17	2,06
Elementary occupations	688	83,40

13. In accordance with Article 7 of Regulation (EC) No 1927/2006, Denmark has confirmed that a policy of equality between women and men as well as non-discrimination has been applied, and will continue to apply, during the various stages of the implementation of and, in particular, in access to the EGF.

Description of the territory concerned and its authorities and stakeholders

14. The factories being closed are located in Lunderskov and Hammelev within the municipalities of Kolding and Haderslev and on the border with Vejen. Thus, the territory affected by the redundancies concerns these three municipalities in the Southern part of Denmark (Syddanmark). This territory is also situated within the Triangle area (Trekanten), the region of economic priority in Denmark.
15. Traditionally, the area in question was specialised in agriculture, manufacturing and transportation. It has experienced significant growth in industry; however, this growth has been based on declining sectors such as transportation and manufacturing. Gradually, employment in food manufacturing has declined in the area, followed by logistics and transportation. In the early 1990s, the area started to specialise in advanced energy production, mainly construction of wind turbines. The focus on the wind turbine industry created a large sub-component industry as well as an increasing workforce employed within the energy sector.
16. Haderslev, Kolding and Vejen consist of three independent municipalities, each with a local city council within Syddanmark. Other stakeholders are the regional authorities of the area concerned, as well as the educational and training bodies.

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

17. Denmark argues that, due to globalisation, many companies in the area have reduced production and as a result, unemployment has increased. According to Danish statistics, unemployment in the Triangle area increased by 25 % in 2009 in comparison to 2008. The closure of two LM Glasfiber factories in Lunderskov and Hammelev contributed significantly to the increase in the unemployment rate of the area. Particularly low skilled workers have been affected. In Denmark as a whole the employment situation has also deteriorated sharply in recent years: the unemployment rate rose from 3,3 % in 2008 to 8,2 % in 2010.

18. The collective redundancies in LM Glasfiber have left the area unable to create sufficient re-employment. Denmark anticipates that, even after the end of the crisis, the sector will not revive, with most of the new orders going to the Far East, where costs are lower. Without retraining and additional support, the workers risk slipping into long-term unemployment.
19. According to the Danish Wind Industry Association, employment in the wind industry sector experienced a sharp decline during 2009 of 13 % (from total average employment of 28 400 persons to 24 700), both for manufacturers and suppliers.

Co-ordinated package of personalised services to be funded and a breakdown of its estimated costs, including its complementarity with actions funded by the Structural Funds

20. Denmark proposes a package of measures in support of the redundant workers that is built around three pillars, following a basic course and clarification; education and training; employment incentives; and incentives for business start-up. The package is designed to take into account the educational levels of the workers, their ability to be mobile, and current or expected job opportunities in the region. Although all the targeted workers will participate in the basic course and clarification, other actions may target smaller numbers of workers, some of whom will benefit from more than one action where appropriate.
21. An initial basic course and clarification is carried out in order to identify the best options for each worker individually. Each targeted worker is offered a basic group training and individual coaching to identify their skills and to find the best fit with the available active labour market measures. The estimated cost is EUR 1 610,74 per worker.
22. The pillar 'education and training' comprises six separate actions. These actions are complementary to the Growth Plan elaborated for Kolding, Vejen and Haderslev municipalities. The new businesses will be developed in the areas where the region already possesses a strong foundation in terms of business, knowledge and skills:
 - (1) Supplementary training in tourism. It is estimated that 100 workers will benefit from this action, at an approximate cost of EUR 4 026,85 per worker. The action aims to give the workers skills relevant to the growing tourism sector in the region, including marketing, branding, the service concept and business administration.
 - (2) Supplementary training in energy technology. It is estimated that 100 workers will benefit from this action, at an approximate cost of EUR 4 026,85 per worker. Due to Denmark's focus on developing the alternative sustainable energy production, there is a need to train workers in the energy sector. It is proposed to give workers relevant skills and increase existing knowledge of workers with certain competences and experience in the field, in close collaboration with existing employers in the region.
 - (3) Supplementary training in design. It is estimated that 100 workers will benefit from this action, at an approximate cost of EUR 4 026,85 per worker. It is proposed to train workers in design in order to apply it in production, mainly

in SMEs. The course will give the participants the knowledge about use of design in industry, product development, branding, and consumer trends.

- (4) Supplementary training in food industry. It is estimated that 100 workers will benefit from this action, at an approximate cost of EUR 4 026,85 per worker. The action aims at developing relevant skills and knowledge to work in the area of health food, including food labelling, nutritional recommendations etc. Due to the number of small and larger food producers in the area as well as catering services, the focus will be on conjoining food and health as basis for developing new business opportunities.
- (5) Attracting and retaining young people in further education. It is estimated that 100 workers will benefit from this action, at an approximate cost of EUR 6 711,41 per worker. This action is aimed at attracting younger redundant workers back into education, for which additional support is needed, including guidance and material and financial support to facilitate the transition from work to study.
- (6) Supplementary education in reading/writing. It is estimated that 350 workers will benefit from this action, at an approximate cost of EUR 2 684,56 per worker. Workers with low levels of educational attainment will be offered remedial education in areas such as reading, spelling and mathematics in order to allow them to take advantage of other educational and employment opportunities.

23. The pillar 'employment incentives' is based on one action:

- (1) Company-based training. It is estimated that 300 workers will benefit from this action, at an approximate cost of EUR 4 026,85 per worker. In order to facilitate the reintegration of the unemployed into the labour market, this action offers on-the-job training, especially in SMEs, with a specific focus on the skills that such firms require.

24. The pillar 'incentives for business start-ups' comprises two separate actions:

- (1) Entrepreneurs' course. It is estimated that 40 workers will benefit from this action, at an approximate cost of EUR 5 637,58 per worker. The course lasting six weeks will include the introduction to business plans, company orientation, management and accounting and will end with the preparation of a business case by the participants.
- (2) On-going advice and mentoring for entrepreneurs. It is estimated that 10 workers will benefit from this action, at an approximate cost of EUR 1 342,30 per worker. To help new entrepreneurs to succeed, this action proposes to offer entrepreneurs ongoing advice and mentoring. Every new start-up company will be assigned a mentor with knowledge of the sector who regularly visits and advises the entrepreneur. It is planned that the mentoring scheme will run for one year, and simultaneously it is planned to set up network groups within current and potential growth sectors, where new entrepreneurs can meet, discuss and cooperate.

25. Subsistence allowance will be paid daily to all targeted workers to help them participate in the measures (an approximate cost of EUR 3 872,28 per worker). The allowances will be granted for the duration of the training and will be an integral part of the active labour measures.
26. The expenditure for implementing EGF, which is included in the application in accordance with Article 3 of Regulation (EC) No 1927/2006, covers preparatory, management, information and publicity as well as control activities.
27. 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 of these services at EUR 9 191 946 and the expenditure for implementing EGF at EUR 419 463 (4,36 % of the total amount). The total contribution requested from the EGF is EUR 6 247 415 (65 % 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)			
<u>Basic course and clarification</u>	825	1 610,74	1 328 859
<u>Education and Training</u>			
Supplementary training in tourism	100	4 026,85	402 685
Supplementary training in energy technology	100	4 026,85	402 685
Supplementary training in design	100	4 026,85	402 685
Supplementary training in food industry	100	4 026,85	402 685
Attracting and retaining young people in further education	100	6 711,41	671 141
Supplementary education in reading/writing	350	2 684,56	939 596
<u>Employment incentives</u>			
Company-based training	300	4 026,85	1 208 054
<u>Incentives for business start-ups</u>			
Entrepreneurs' course	40	5 637,58	225 503
On-going advice and mentoring for entrepreneurs	10	1 342,30	13 423

Subsistence allowance	825	3 872,28	3 194 630
Sub total personalised services			9 191 946
Expenditure for implementing EGF (third paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Preparatory activities			62 919
Management			209 732
Information and publicity			62 919
Control activities			83 893
Sub total expenditure for implementing EGF			419 463
Total estimated costs			9 611 409
EGF contribution (65 % of total costs)			6 247 415

* Totals do not tally due to conversion from DKr and subsequent rounding of unit costs per worker

28. Denmark confirms that the measures described above are complementary with actions funded by the Structural Funds.

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

29. Denmark started the personalised services to the affected workers included in the co-ordinated package proposed for co-financing to the EGF on 1 August 2010. 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

30. The South Denmark region and municipalities of Vejle, Kolding and Haderslev prepared the application jointly, with the involvement of various social partners, including industrial associations, trade unions and education and training institutions. Joint meetings were held to discuss the detailed strategy for a transition plan.
31. The Danish authorities confirmed that the requirements laid down in national and Community legislation concerning collective redundancies have been complied with.

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

32. 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 Community financial instruments.

Management and control systems

33. Denmark has notified the Commission that the financial contribution will be managed and controlled by the same bodies as the European Social Fund, which also has the Danish Enterprise and Construction Authority (EBST) as Managing Authority. The Certifying Authority will be vested in a different department of the same body. The Auditing Authority will be the EU Controllerfunction in the Danish Enterprise and Construction Authority.

Financing

34. On the basis of the application from Denmark, the proposed contribution from the EGF to the coordinated package of personalised services is EUR 6 247 415, representing 65 % of the total cost. The Commission's proposed allocation under the Fund is based on the information made available by Denmark.
35. 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 above, to be allocated under heading 1a of the financial framework.
36. 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.
37. 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 dialogue meeting will be convened.
38. The Commission presents separately a transfer request in order to enter in the 2011 budget specific commitment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.

Source of payment appropriations

39. The 2011 budget showing payment appropriations of EUR 47 608 950 on budget line 04.0501 "European Globalisation Adjustment Fund (EGF)", this budget line will be used to cover the amount of 6 247 415 EUR needed for the present application.

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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 management⁴, 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 Fund⁵, and in particular Article 12(3) thereof,

Having regard to the proposal from the Commission⁶,

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 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 to mobilise the EGF, in respect of redundancies in the enterprise LM Glasfiber on 7 July 2010 and supplemented it by additional information up to 3 February 2011. This application complies with the requirements for determining the financial contributions as laid down in Article 10 of

⁴ OJ C 139, 14.6.2006, p. 1.

⁵ OJ L 406, 30.12.2006, p. 1.

⁶ OJ C [...], [...], p. [...].

Regulation (EC) No 1927/2006. The Commission, therefore, proposes to mobilise an amount of EUR 6 247 415.

- (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 2011, the European Globalisation Adjustment Fund (EGF) shall be mobilised to provide the sum of EUR 6 247 415 in commitment and payment appropriations.

Article 2

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

Done at [Brussels/Strasbourg],

For the European Parliament
The President

For the Council
The President