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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/2010/001 DK/Nordjylland 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) 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 22 January 2010, Denmark submitted application EGF/2010/001 DK/Nordjylland for a financial contribution from the EGF, following redundancies in 45 firms operating in the NACE Revision 2 Division 28 (manufacture of machinery and equipment)³ sector in the NUTS II region of Nordjylland (DK05) 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/2010/001
Member State	Denmark
Article 2	(b)
Enterprises concerned	45
NUTS II region	Nordjylland (DK05)
NACE Revision 2 Division	28 (manufacture of machinery and equipment)
Reference period	15/2/2009 to 14/11/2009
Starting date for the personalised services	1/4/2010
Application date	22/1/2010
Redundancies during the reference period	1 122
Redundant workers targeted for support	951
Personalised services: budget in EUR	10 967 314
Expenditure for implementing EGF ⁴ : budget in EUR	604 008
% expenditure for implementing EGF	5,2
Total budget in EUR	11 571 322
EGF contribution EUR (65 %)	7 521 359

¹ OJ C 139, 14.6.2006, p. 1.

² OJ L 406 of 30.12.2006, p. 1.

³ Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains. (OJ L 393 of 30.12.2006, p. 1).

⁴ In accordance with the third paragraph of Article 3 of Regulation (EC) No 1927/2006.

1. The application was presented to the Commission on 22 January 2010 and supplemented by additional information up to 28 April 2010.
2. The application meets the conditions for deploying the EGF as set out in Article 2(b) of Regulation (EC) No 1927/2006, and was submitted within the deadline of 10 weeks referred to in Article 5 of that Regulation.

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

3. In order to establish the link between the redundancies and the global financial and economic crisis, Denmark explains that the companies concerned were for the most part involved in producing machinery and equipment for the shipbuilding sector. CESA (the Community of European Shipyards Association) has prepared a Guestimate on World Shipbuilding Requirements until 2014, which states that the global financial crisis had changed several of the conditions and expectations for the future development of the market. A combination of factors brought about reduced shipbuilding requirements and by the end of 2008 / beginning of 2009, the placement of new orders came to an almost complete halt. In addition, about 10 % of new ship orders are expected to be cancelled. Several of the ships on order will have their delivery dates postponed.

CESA estimates that some 30 % of the fleet in 2011 will be surplus and that therefore some 53 million deadweight tons (dwt) out of a total order book of 566 million dwt will be cancelled. Already, the crisis has caused a high number of inactive ships and ships operating at slow speeds around the world. In the future, the shipbuilding industry is expected to move to low cost areas, mainly in Asia, which have been increasing their market share spectacularly in the years leading up to the crisis (source: Lloyds Register Fairplay, as quoted by CESA). It is therefore unlikely that the companies concerned by this application could potentially return to normal production at the end of the crisis.

4. In the case of MAN Diesel (which, with 541 redundancies, is laying off the largest numbers in respect of this application), the downturn has meant that it would be using only 23 % of its production capacity in 2010 and 3 % in 2011, so that it was no longer justifiable to continue production in Frederikshavn. The other companies are mainly subcontracted to large industrial enterprises in Germany and Asia. Decline in demand from these enterprises as a result of the crisis has caused declines in production by these North Jutland enterprises.

Demonstration of the number of redundancies and compliance with the criteria of Article 2(b)

5. Denmark submitted this application under the intervention criteria of Article 2(b) of Regulation (EC) No 1927/2006, which requires at least 500 redundancies over a nine-month period in a NACE Revision 2 Division in one region or two contiguous regions at NUTS II level.
6. The application cites 1 122 redundancies in 45 enterprises in the NACE Revision 2 Division 28 (manufacture of machinery and equipment) in the NUTS II region of Nordjylland (DK05) during the reference period from 15 February 2009 to 14

November 2009. 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

7. The Danish authorities argue that the severity of the global credit crisis and the resultant impact on the financial markets was impossible to predict. Thus, at the start of the fourth quarter of 2008, MAN Diesel had orders for the next two years, with deliveries planned for the end of 2010 / beginning of 2011. From September / October 2008, new orders stopped totally for the next 12 months; this was followed by cancellations of existing orders (MAN estimate: 40 % of orders were lost).

Identification of the dismissing enterprises and workers targeted for assistance

8. The application cites a total of 1 122 redundancies during the nine-month reference period. Of this total of 1 122 workers, 951 are targeted for assistance. The 153 workers not targeted are expected to have found a new job themselves, or to move away from the region, or to take early retirement, and thus not be interested in the EGF measures on offer.
9. The 45 enterprises concerned, and the numbers of workers dismissed by each, are as follows :

Enterprise	Number of redundancies	Method
MAN Diesel A/S	541	1
A/S Hydrema Production	11	1
SAWO A/S	9	1
He-Va ApS	2	1
Morsø Jernstøberi	3	1
Morsø Køl & Frys	1	1
AP Gyllevogne	2	1
Peter Kibsgaard	1	1
Akea Automation asp	10	1
Sjørring Maskinfabrik	36	1
Cimbria Manufacturing A/S	38	1
Elster-Instromet A/S	3	1
Brüel International A/S	1	1
Hydra Tech A/S	11	1
Carnitech A/S	52	1
Carna Lift	1	1
Siemens Wind Power A/S	145	1
A/S Dybvad Stål Industri	12	1
Borup Andersens Maskinfabrik ApS	4	1
Univeyor A/S	50	1
REO-PACK A/S	6	1
Dantherm Power A/S	11	1
Dantherm Filtration A/S	10	1
Aagaard A/S	19	1
Hycon A/S	7	1
Hamworthy Svanebjerg A/S	44	1
JB Contractors	6	1
Aalborg Maskinfabrik A/S	2	1
System Cleaners A/S	5	1
NB Ventilation A/S	3	1

Nilfisk Alto Food Division	6	1
Flex Coli A/S	5	1
GVA A/S	5	1
PanPac Engineering A/S	1	1
Inelco A/S	2	1
Carsø A/S	5	1
ESS Graphic A/S	1	1
Scantool Group A/S	9	1
Silvatec Skovmaskiner A/S	16	1
Kss-Kraner A/S	1	1
Danilift A/S	3	1
Fransgård Maskinfabrik A/S	1	1
Carnitech Salmon A/S	16	1
Inno Steel A/S	3	1
Maach Technic A/S	2	1
Total	1 122	

10. The break-down of the targeted workers is as follows :

Category	Number	Percent
Men	876	92,1
Women	75	7,9
EU citizens	951	100,0
Non EU citizens	0	0,0
15 to 24 years old	53	5,6
25 to 54 years old	796	83,7
54 to 64 years old	101	10,6
65 + years old	1	0,1

There are no workers with a long-standing health problem / disability.

11. In terms of professional categories, the break-down is as follows :

Category	Number	Percent
Top management	10	1,0
Jobs requiring top level skills and qualifications within its field	32	3,4
Jobs requiring skills and qualifications on an intermediate level	35	3,7
Clerical jobs	25	2,6
Manual jobs, metal- and machining jobs (Skilled labour)	384	40,4
Process and machinery operators, transportation and construction jobs. Jobs on stationary installation and plants, operating of industrial machinery (Skilled labour)	146	15,4
Other jobs, manual jobs in manufacturing industries (Unskilled labour)	319	33,5
Total	951	100,0

12. 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

13. The Nordjylland region with its almost 600 000 inhabitants is the smallest region in Denmark, and also has the lowest population density. In terms of employment levels and income, it is lagging behind the rest of Denmark. The region consists of 11 municipalities ranging from Læsø with under 2 000 inhabitants to Aalborg with almost 200 000 inhabitants. The occupational structure features numerous small and medium-sized enterprises with a poor tradition of hiring highly educated employees. This has resulted in the region having a particularly large share of skilled and unskilled people in the labour force, combined with only a few large globally oriented enterprises to add a global driving force.
14. In the area concerned, the main authority is the municipality of Frederikshavn. Other stakeholders are the regional and municipal authorities of the areas concerned, as well as the educational and training bodies which may become involved in the project following a call for tenders. The region and the municipalities will take part in both the steering group and the dialogue and sparring group, as will the educational institutions of the region.

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

15. Denmark argues that the Nordjylland region is particularly dependent upon the industrial sector, and that this has been hard hit by the current crisis. Thus, in the region, 38 % of the redundancies are from the industrial sector, while this figure is only 25 % in the rest of the country.
16. The redundancies in the Nordjylland application are all the more serious to the region as it is anticipated 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. The proposal therefore aims to reconvert the redundant workers to the new fields of more efficient energy solutions, both in shipping and in housing, as well as equipping them for the knowledge and the services sectors.

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

17. The following types of measures are proposed, all of which combine to form a co-ordinated package of personalised services aimed at re-integrating the workers into the labour market.
 - **Mapping:** The mapping of qualifications against the wishes of the participants and the basic course offered are provided for all, with the aim of helping the unemployed to become adaptable and to identify relevant options of re-conversion. The course will last four weeks with a combination of group lessons and individual coaching. The aim of the course is for the unemployed to obtain a completed plan of action and knowledge of the present labour market and to relate to the idea of switching to a new industry. The mapping of the wishes and interests of each employee is followed by a match against the actual offers expected to be available. This will be taken up by all 951 workers.

- Supplementary general education: This will comprise an extraordinary course of preparatory adult education (FVU) to ensure a readiness for change among those most in want of resources (approximately 345 participants), and a course in supplementary disciplines at secondary school level for the targeted workers with a secondary school background who have expressed a wish for further education (approximately 50 participants).
 - Support to young unemployed in education: Attracting and retaining young people who want to embark on an out-of school or further education. This is provided for extra tuition and books for the first study year (50 participants).
 - Supplementary industrial education in the maritime field: Introduction to the maritime field supplemented by the training of skills in specific courses selected by the unemployed in the future oriented fields related to energy conservation and more efficient use of energy, from which the unemployed will choose an individual set of courses in modular form, depending on the desired direction in which to specialise. This will be for 394 participants, each training for 20 days.
 - Supplementary industrial education in renewable energy and energy optimising: The switch to a job in renewable energy and energy optimising goes through an introduction to this industry supplemented by training in skills within specific courses selected by the unemployed. Recognised courses will be offered, from which the unemployed will choose an individual set of courses in modular form, depending on the desired direction in which to specialise. This will be for 294 participants, each training for 15 days.
 - Courses on location with companies: If the dismissed are offered a job, they will also be offered education in the company to fill in any gaps in qualifications. There will be 100 workers supported in this way.
 - Entrepreneur course: The course is for six weeks and includes an introduction to company operation and management. It is estimated that 50 workers will take up this offer.
 - Mentor arrangement for entrepreneurs: The potential entrepreneur can benefit from support provided by a mentor assigned with knowledge of the industry for a number of sessions during the first year. It is estimated that 45 workers will take up this offer.
 - Course in product development: The entrepreneur has the option of participating in a course in product development and to receive sparring in the process of developing and testing an idea. It is estimated that 45 workers will take up this option.
18. 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 and control activities as well as information and publicity.
19. 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 11 571 322 and the expenditure for implementing EGF at EUR 604 008

(=5,2 % of the total amount). The total contribution requested from the EGF is EUR 7 521 359 (65 % of the total costs).

Actions	Estimated number of workers targeted	Estimated cost per worker targeted (in EUR)	Total costs (EGF and national cofinancing) (in EUR)
Personalised services (first paragraph of Article 3 of Regulation (EC) No 19272/2006)			
Mapping	951	3 020	2 872 020
Supplementary general education	345	8 690	2 998 050
Support to young unemployed in education	50	8 090	404 500
Job oriented education in maritime field	394	5 245	2 066 530
Job oriented education in energy field	294	3 931	1 155 714
Courses on location with companies	100	4 030	403 000
Entrepreneur course	50	5 870	293 500
Mentor arrangement for entrepreneurs	45	11 950	537 750
Course in product development	45	5 250	236 250
Sub total personalised services			10 967 314
Expenditure for implementing EGF (third paragraph of Article 3 Regulation (EC) No 1927/2006)			
Preparatory activities			90 717
Management			302 391
Information and publicity			120 900
Control activities			90 000
Sub total expenditure for implementing EGF			604 008
Total estimated costs			11 571 322
<i>EGF contribution (65 % of total costs)</i>			<i>7 521 359</i>

20. Denmark confirms that the measures described above are complementary with actions funded by the Structural Funds. Denmark will also ensure a clear audit trail

for EGF funded activities, and confirms that no other EU funding is sought or used for these activities.

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

21. Denmark will start the personalised services to the affected workers included in the co-ordinated package proposed for co-financing to the EGF, on 1 April 2010. This date therefore represents the beginning of the period of eligibility for any assistance that might be awarded from the EGF. As this date falls after the application date but within three months of same, according to Article 13(2) of Regulation (EC) No 1927/2006, the final date by which the eligible actions must be carried out, is 31 March 2012.

Procedures for consulting the social partners

22. The EGF application was prepared by the municipality of Frederikshavn and the Nordjylland region in collaboration with the other concerned municipalities, the local trade promotion offices, the trade unions, the Danish Industry employers' educational institutions, and the municipal job centres. A mobilisation conference is planned for 2010 with invitations to all interested parties.
23. 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

24. 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

25. 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 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.

The Municipality of Frederikshavn will receive and manage the EGF funds. It will appoint a project co-ordinator and an administrative clerk to manage the initiatives

planned for the targeted workers. The Nordjylland region will be monitoring the project closely and will participate in the steering group for the process.

Financing

26. On the basis of the application from Denmark, the proposed contribution from the EGF to the coordinated package of personalised services is EUR 7 521 359, representing 65 % of the total cost. The Commission's proposed allocation under the Fund is based on the information made available by Denmark.
27. 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.
28. 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.
29. By presenting this proposal to mobilise the EGF, the Commission initiates the simplified dialogue procedure, as required by Point 28 of the Inter-institutional 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.
30. The Commission presents separately a transfer request in order to enter in the 2010 budget specific commitment and payment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.

Source of payment appropriations

31. In the current state of implementation, it is foreseeable that the payment appropriations available in 2010 under the budget line 01.0404 "Competitiveness and Innovation Framework Programme - Entrepreneurship and innovation programme" will not be fully used this year.
32. This line covers expenditure related to the implementation of the financial instrument of this programme, the main objective of which is to facilitate the access of SMEs to finance. Some time lag exists between transfers to the trust accounts managed by the European Investment Fund and disbursement to the beneficiaries. The financial crisis has a major effect on the forecasts in terms of disbursements for 2010. As a result, in order to avoid excessive balances on the trust accounts, the methodology for calculation of payment appropriations has been reviewed, taking into account the expected disbursements. The amount of EUR 7 521 359 can therefore be made available for transfer.

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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 management⁵, 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 Fund⁶, and in particular Article 12(3) thereof,

Having regard to the proposal from the European Commission⁷,

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 manufacturing of machinery and equipment sector in the Nordjylland region, on 22 January 2010 and supplemented it by additional information up to 28 April 2010. 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 7 521 359.

⁵ OJ C 139, 14.6.2006, p. 1.

⁶ OJ L 406, 30.12.2006, p. 1.

⁷ OJ C [...], [...], p. [...].

- (5) The EGF should, therefore, be mobilised in order to provide a financial contribution for the application submitted by Denmark.

HAVE DECIDED AS FOLLOWS:

Article 1

For the general budget of the European Union for the financial year 2010, the European Globalisation Adjustment Fund (EGF) shall be mobilised to provide the sum of EUR 7 521 359 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