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THE EUROPEAN UNION**

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PROPOSAL

from:	Commission
dated:	4 June 2012
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Subject:	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/2011/008 DK/Odense Steel Shipyard from Denmark)

Delegations will find attached a proposal from the Commission, submitted under a covering letter from Mr Jordi AYET PUIGARNAU, Director, to Mr Uwe CORSEPIUS, Secretary-General of the Council of the European Union.

Encl.: COM(2012) 272 final



EUROPEAN COMMISSION

Brussels, 4.6.2012
COM(2012) 272 final

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/2011/008 DK/Odense Steel Shipyard 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 28 October 2011, Denmark submitted application EGF/2011/008 DK/Odense Steel Shipyard 2 for a financial contribution from the EGF, following redundancies in Odense Steel Shipyard 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/2011/008
Member State	Denmark
Article 2	(a)
Primary enterprise	Odense Steel Shipyard
Suppliers and downstream producers	4
Reference period	01.05.2011 - 31.08.2011
Starting date for the personalised services	31.10.2011
Application date	28.10.2011
Redundancies during the reference period	585
Redundancies before and after the reference period	396
Total eligible redundancies	981
Redundant workers targeted for support	550
Expenditure for personalised services (EUR)	9 487 675
Expenditure for implementing EGF ³ (EUR)	443 255
Expenditure for implementing EGF (%)	4,5
Total budget (EUR)	9 930 930
EGF contribution (65 %) (EUR)	6 455 104

1. The application was presented to the Commission on 28 October 2011 and supplemented by additional information up to 8 March 2012.
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 the global financial and economic crisis, Denmark argues that shipyards in Europe over the last decades have been losing substantial market shares to Asia. The global financial and economic crisis then further affected the global shipbuilding market, such that, according to the Community of European Shipyards' Associations (CESA), the European orderbook dropped from 13,692 million CGT⁴ to 9,470 million CGT between 2008 and 2009, and further to 6,394 million CGT in 2010. New orders, having fallen from 2,114 million CGT to 561 million CGT between 2008 and 2009, recovered to 2,459 million CGT in 2010, still less than half of the pre-crisis level of 5,425 million CGT in 2007.
4. In its annual report for 2010-2011⁵, published in Brussels in August 2011, CESA writes : "The coming two years will remain very difficult for the industry. Only a few yards have been able to secure healthy orderbooks for 2012 and beyond. Consequently, the employment impact resulting from the demand collapse from 2008 and 2009 will hit the European shipbuilding industry mainly in 2011 and 2012".

The CESA annual report shows that the shipbuilding workforce in Europe declined by 23 % over the past three years, from 148 792 in 2007 to 114 491 in 2010. The workforce on new buildings dropped even more sharply, by 33 %, from 93 832 in 2007 to 62 854 in 2010.

5. The decision to close Odense Steel Shipyard was taken on 10 August 2009, and a programme was agreed with all employees regarding the ships that would still be finished at the yard and thus, the timing of the redundancies required. A first application for EGF funding in support of the first wave of 1 356 redundant workers was made by the Danish authorities on 6 October 2010 and, following approval of the Commission's proposal⁶ by the Council and the European Parliament, the funds were paid out on 2 August 2011. It was understood at the time of the first application that a second would follow, to take care of the later and final wave of redundancies, also including the workers made redundant by some of the suppliers to the shipyard.
6. This is the fourth EGF case in the shipbuilding sector. The arguments presented in the three previous cases (EGF/2010/001 DK/Nordjylland⁷, EGF/2010/006 PL/H. Cegielski-Poznan⁸ and EGF/2010/025 DK/Odense Steel Shipyard⁹) remain valid.

⁴ Compensated Gross Tonnage (CGT) is an indicator of the amount of work that is necessary to build a given ship and is calculated by multiplying the [tonnage](http://en.wikipedia.org/wiki/Compensated_gross_tonnage) of a ship by a coefficient, which is determined according to type and size of a particular ship

⁵ http://www.cesa.eu/presentation/publication/CESA_AR_2010_2011/pdf/CESA%20AR%202010-2011.pdf

⁶ COM(2011)251 final

⁷ COM(2010)451 final

⁸ COM(2010)631 final

⁹ COM(2011)251 final

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 509 redundancies in Odense Steel Shipyard during the reference period from 1 May 2011 to 31 August 2011 as well as a further eight from G4S (the security company operating the main gate at OSS), 67 from YIT (providing maintenance services for the equipment and machines at the yard and installing the electrical systems on the ships built there), and one from BM Steel Construction (specialists helping with the building of navy vessels), making a total of 585 redundancies from Odense Steel Shipyard and its suppliers. In addition, 396 workers from these four companies as well as Persolit (another provider of maintenance and electrical systems) were made redundant before and after the reference period. 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 the closure of the shipyard and the resulting redundancies could not have been foreseen. The shipyard owners invested heavily into the yard until 2009; this would not have happened if the closure had been expected. It must be noted that this is one of the biggest and most modern shipyards in Europe, holding records such as that of having built (in 2006-2008) the biggest container ships in the world, Emma Maersk and her seven E-class sisters. The yard has been known for consistently designing and building innovative vessels that apply the newest technology in design and equipment.

Demonstration of the redundancies and identification of the dismissing enterprises

10. The application relates to 981 redundancies in total in Odense Steel Shipyard and four of its suppliers. Following observations made during the current Odense Steel Shipyard implementation, the applicant Member State concluded that around 55 to 60 % of the workers affected (estimated at 550) would wish to benefit from the EGF measures, while the other workers would either find new employment themselves or decide to retire from the labour force.
11. The break-down of the targeted workers is as follows:

Category	Number	Percent
Men	531	96,5
Women	19	3,5
EU citizens	550	100,0
Non EU citizens	0	0,0
15-24 years old	25	4,5
25-54 years old	431	78,4
55-64 years old	94	17,1
> 64 years old	0	0,0

12. There are no workers with longstanding health problems or disabilities among either the affected or the targeted workers.

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

Category	Number	Percent
Legislators, senior officials and managers	4	0,7
Professionals	18	3,3
Technicians and associated professionals	376	68,4
Clerks	12	2,2
Service workers and shop and market sales workers	66	12,0
Craft and related trade workers	4	0,7
Elementary occupations	70	12,7

14. 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

15. Odense is Denmark's third largest city with almost 200 000 inhabitants. The city is in the centre of the island of Funen, where the total population is close to 500 000. Funen is the eastern part of the region of Southern Denmark, which has a total of 1 200 000 inhabitants. The infrastructure of both Funen and the region is well developed and the working population increasingly commutes to work outside their home towns. In the case of the Odense Steel Shipyard workers, however, commuting cannot be seen as the solution to their employment problem, as there are few employment opportunities for workers elsewhere on the island and no labour shortage in Denmark as a whole in the metallurgical sector. Major efforts will therefore have to be made to prepare the redundant workers for new jobs.

16. Odense has access to the sea via a canal and the Odense Fjord, on which Odense Steel Shipyard is located in the small town of Munkebo (5 500 inhabitants). Munkebo is part of Kerteminde Municipality, forming the northeast part of Funen.

17. In 2008, the total workforce in Odense and Kerteminde was 109 000 people. The direct losses at Odense Steel Shipyard covered by the two applications therefore amount to around 2 % of the workforce. It is estimated that the indirect job losses will be as heavy as the direct ones, so that the shipyard closure is regarded as a major crisis in the regional economy.

The educational standard of the employed workforce in Kerteminde is below both the national average and the average in Funen. In 2008, about 27,3 % of the workforce in Kerteminde had received some further education, while the corresponding figure for Funen was 33 % and the national average was 34,8 %.

18. Both the municipalities of Odense and Kerteminde are closely involved in this application, which they have supported from the outset.

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

19. The general employment situation deteriorated sharply in Denmark during 2009 and 2010. Unemployment rose from a record low of 3,4 % for the year 2008 to a new high of 7,6 % in 2010 (source: Eurostat¹⁰).
20. The industrial structure of Kerteminde is characterised by a high share of employment in manufacturing, particularly in metallurgy. Many jobs in this industry have already been lost to other countries with lower wages. The shipyard workers being dismissed have a high technical expertise which is difficult to apply in other industries in Funen or even the whole of Denmark. Many of them have worked in the shipyard all their lives and their parents may have worked there too.

In addition, the shipyard is being wound down in stages, with groups of workers being dismissed as the final ship orders are completed. The previous wave of redundancies, preceding this cohort, is currently aspiring to the potentially suitable new jobs being created. Without significant retraining, it will be even harder for this second wave of redundant workers to find new employment.
21. Since the announcement of the closure in August 2009, a consortium of local, regional and national stakeholders has discussed and formulated a strategy for new growth opportunities in the region. It is this strategy that is taking shape now and is guiding the choice of measures in the application.

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

22. The Region of South Denmark is, on the one hand, defining and designing measures which can be taken under the Lisbon goals with the objective of strong European competitiveness. The regional Growth Forum uses both ESF and ERDF funding, as well as national labour market assistance to achieve these long-term goals of promoting new growth industries in the area.
23. In order to help these immediate redundancies, however, more specific activities need to be undertaken. These include education, training, employment incentives and support for entrepreneurship. The target group of workers are already highly skilled, but in a field where the outlook for future employment looks bleak. Hence, the measures proposed for them will be somewhat more costly than would be the case for other workers in mass layoffs, which often concern people with relatively low skills.
 - Basic course and clarification: It is estimated that this will be taken up by some 55 % of all the redundant workers, who constitute the group of targeted workers. The course will run over an average period of four weeks and will contain both group-based teaching and additional one-to-one counselling. The objective is to help the workers to understand their own situation and to acquire the motivation to accept a complete reorientation, to understand the opportunities open in the

¹⁰ <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do?dvsc=9>

region, to identify their own competencies, to identify opportunities of interest to them, and to decide on further measures they wish to take. This measure will involve much more intensive and personalised counselling than the Job Centres are normally able to provide.

- Vocational training and general education: It is estimated that this too will be taken up by all the targeted workers, opting for various fields of education and retraining. Some of the workers may need to reinforce their general education before they can benefit from the training options.
 - The first of these options will be in Energy Technology, involving power generation, energy storage, energy infrastructure and energy efficiency -- the emphasis being on green energy in these areas. This is a new training area which was not provided by the Job Centres before the first application for Odense Steel Shipyard.
 - The second will be in Construction and Landscaping, for which there are already large public commitments to be implemented in coming years. The course will include specific learning in energy efficient building. These are innovative training measures which depart from what is available in the area.
 - The third will be in Robotics, an area of strong growth, where Denmark is successful at international level. The main focus areas will be industrial production, play and learning, and biological production. This is not currently provided by Job Centres, but could be taken on by them in future, if this scheme works well.
 - The fourth will be in Welfare Technology, the development of which is already centred around Odense. The demand for public welfare in hospitals and healthcare services is expected to increase in future. The main focus will be a general introduction to technology and a practical upgrading of skills. This course too is not currently provided by Job Centres, but may offer good employment opportunities in the future.
 - The fifth is General Education, which may be a prerequisite for many of the redundant workers so as to enable them to take up the training offered. It is estimated that a quarter of the total target group will take up this measure, which is scheduled to last for an average of 22 weeks per person. While this is being offered by Job Centres, they are currently flooded with demand from unemployed workers and not always able to cope.
- Attract and retain the youth / higher education: This will guide the young workers to return to education, provide support and fund training costs for up to one year. The support provided here goes beyond that which is normally available from Job Centres.
- Employment Incentives -- Teaching in Enterprises: This will help the redundant worker in transition to new employment, by facilitating learning and adjustment for both the employer and the new employee. It will most often take place in

addition to one of the other measures preparing the worker for a new job. In practical terms, it will be a course given to new employees at one to three days per week and over a period of six to ten weeks. It will greatly facilitate the decision for new employers to take on the redundant workers, as they will be helped to adapt to their new workplace more quickly.

- Incentives to start a new business: Entrepreneurship in Denmark is at a low level, but increasing, and is particularly low in the two municipalities most affected. The workshops planned will help these workers to develop ideas and creativity, the screening of ideas will help them to focus on the best cases for further development, an entrepreneurship course of six weeks' duration will enable those who decide to go down this route to focus on how a business is run; a small number will then be helped with advice on how to develop a product and with the necessary market analysis. These new entrepreneurs will receive guidance and coaching in the early start-up phase, and mentoring by means of a number of sessions during the first year. Those who successfully start businesses will be helped with marketing and public relations, including branding. Entrepreneurs who fulfil stringent conditions can apply for a loan. It is estimated that some ten applicants will participate in these measures, and that one of them will qualify for the final stage of support by means of a loan.
- In addition to these measures, Denmark proposes a subsistence allowance of EUR 103 per worker per day of active involvement in training or other relevant measures.

24. The expenditure for implementing the 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. All partners involved in the measures are committed to communicating the EGF support being provided. An EGF Secretariat has been set up under the Odense Municipality, and is co-financed by the Municipality of Kerteminde and the Region of Southern Denmark. This secretariat will be in regular contact with the workers and will maintain and update the relevant web site¹¹. A conference is planned for the two Odense Steel Shipyard cases together, which will serve as a closing conference for the first case¹² and a mid-term conference for the second application.
25. 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 9 487 675 and the expenditure for implementing the EGF at EUR 443 255 (4,5 % of the total amount). The total contribution requested from the EGF is EUR 6 455 104 (65 % of the total costs).

¹¹ www.odense.dk/lindoglobaliseringsfonden
¹² EGF/2010/025 DK/Odense Steel Shipyard

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)			
Basic course and clarification	550	1 611	885 906
Vocational training in energy technology	110	13 423	1 476 510
Vocational training in construction and landscaping	85	5 369	456 376
Vocational training in robotics	44	10 067	442 953
Vocational training in welfare technology	38	12 081	459 060
General education	138	7 973	1 100 295
Attract and retain in higher education	110	6 711	738 255
Teaching in enterprises	110	3 221	354 362
Stimulating entrepreneurship	28	268	7 517
Screening of ideas	14	134	1 879
Entrepreneurship course	8	5 638	45 101
Course in product development	4	3 758	15 034
Market analysis and feasibility study	2	4 027	8 054
Business start-up cases	2	5 638	11 275
Mentoring	2	1 342	2 685
Advertisement and branding	2	4 027	8 054
Start-up loan	1	26 846	26 846
Subsistence allowance (per diem)	(days) 33 530	103	3 447 514
Sub total personalised services			9 487 675
Expenditure for implementing EGF (third paragraph of Article 3 of Regulation (EC) No			

1927/2006)		
Preparatory activities		0
Management		308 456
Information and publicity		67 953
Control activities		66 846
Sub total expenditure for implementing EGF		443 255
Total estimated costs		9 930 930
<i>EGF contribution (65 % of total costs)</i>		<i>6 455 104</i>

* The totals do not entirely tally due to conversion from DKK and rounding.

26. Denmark confirms that the measures described above are complementary with actions funded by the Structural Funds and that all double financing will be prevented.
27. The former employers, Odense Steel Shipyard, organised a jobs fair in the autumn of 2010, at which information was provided on job opportunities and on EGF-financed activities. A number of jobs in Trondheim and other Norwegian locations were offered to the skilled workers.

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

28. Denmark started the personalised services to the affected workers included in the co-ordinated package proposed for co-financing to the EGF on 31 October 2011. 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

29. The Region of Southern Denmark, and the Municipalities of Odense and Kerteminde prepared the application together. This work has involved a number of social partners, professional organisations, unions and educational institutions. Joint meetings have been held, at which detailed strategies for growth and extraordinary actions in the transition plan were discussed and designed by the parties.
30. The Danish authorities confirmed that the requirements laid down in national and EU legislation concerning collective redundancies have been complied with.

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

31. 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.

Management and control systems

32. 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.

Financing

33. On the basis of the application from Denmark, the proposed contribution from the EGF to the coordinated package of personalised services is EUR 6 455 104, representing 65 % of the total cost. The Commission's proposed allocation under the Fund is based on the information made available by Denmark.
34. 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 to above, to be allocated under heading 1a of the financial framework.
35. 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.
36. 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.
37. The Commission presents separately a transfer request in order to enter in the 2012 budget specific commitment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.

Source of payment appropriations

38. As the 2012 budget includes payment appropriations of EUR 50 000 000 on budget line 04.0501 "European Globalisation Adjustment Fund (EGF)", this budget line will be used to cover the amount of EUR 6 455 104 needed for this application.

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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/2011/008 DK/Odense Steel Shipyard 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 management¹³, 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 Fund¹⁴, and in particular Article 12(3) thereof,

Having regard to the proposal from the Commission¹⁵,

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 to mobilise the EGF, in respect of redundancies in the enterprise Odense Steel Shipyard, on 28 October 2011 and supplemented it by additional information up to 8 March 2012. This application complies with the

¹³ OJ C 139, 14.6.2006, p. 1.

¹⁴ OJ L 406, 30.12.2006, p. 1.

¹⁵ OJ C [...], [...], p. [...].

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 6 455 104.

- (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 (EGF) shall be mobilised to provide the sum of EUR 6 455 104 in commitment and payment appropriations.

Article 2

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

Done at Brussels,

For the European Parliament
The President

For the Council
The President