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2021/0115 (BUD)

Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the mobilisation of the European Globalisation Adjustment Fund following an application from the Netherlands – EGF/2020/004 NL/KLM

EXPLANATORY MEMORANDUM

CONTEXT OF THE PROPOSAL

1. The rules applicable to financial contributions from the European Globalisation Adjustment Fund (EGF) are laid down in Regulation (EU) No 1309/2013 of the European Parliament and of the Council of 17 December 2013 on the European Globalisation Adjustment Fund (2014-2020) and repealing Regulation (EC) No 1927/2006[1] (the 'EGF Regulation')[2].

2. On 22 December 2020, the Netherlands submitted an application EGF/2020/004 NL/KLM for a financial contribution from the EGF, following redundancies[3] in KLM Royal Dutch Airlines in the Netherlands.

3. Following its assessment of this application, the Commission has concluded, in accordance with all applicable provisions of the EGF Regulation, that the conditions for awarding a financial contribution from the EGF are met.

SUMMARY OF THE APPLICATION

EGF application	EGF/2020/004 NL/KLM
Member State	The Netherlands
Region(s) concerned (NUTS[4] level 2)	Noord-Holland (NL32)
Date of submission of the application	22 December 2020
Date of acknowledgement of receipt of the application	22 December 2020
Date of request for additional information	5 January 2021
Deadline for provision of the additional information	16 February 2021
Deadline for the completion of the assessment	11 May 2021
Intervention criterion	Article 4(1)(a) of the EGF Regulation
Primary enterprise	KLM Royal Dutch Airlines
Number of enterprises concerned	1
Sector(s) of economic activity (NACE Revision 2 Division)[5]	Division 51 (Air transport)
Reference period (four months):	15 August 2020 - 15 December 2020
Number of redundancies during the reference period (*a*)	650

[1] OJ L 347, 20.12.2013, p. 855.

[2] Regulation (EU) No 1309/2013 is applicable to all applications received by 31 December 2020.

[3] Within the meaning of Article 3 of the EGF Regulation.

[4] Commission Regulation (EU) No 1046/2012 of 8 November 2012 implementing Regulation (EC) No 1059/2003 of the European Parliament and of the Council on the establishment of a common classification of territorial units for statistics (NUTS) as regards the transmission of the time series for the new regional breakdown (OJ L 310, 9.11.2012, p. 34).

[5] OJ L 393, 30.12.2006, p. 1.

Number of redundancies before or after the reference period (*b*)	1 201
Total number of redundancies (*a* + *b*)	1 851
Total number of eligible beneficiaries	1 851
Total number of targeted beneficiaries	1 201
Budget for personalised services (EUR)	8 030 750
Budget for implementing EGF[6] (EUR)	334 614
Total budget (EUR)	8 365 364
EGF contribution (60 %) (EUR)	5 019 218

ASSESSMENT OF THE APPLICATION

Procedure

4. On 22 December 2020, the Netherlands submitted application EGF/2020/004 NL/KLM, i.e. within 12 weeks of the date on which the intervention criteria set out in Article 4 of the EGF Regulation were met. The Commission acknowledged receipt of the application on the same date, and requested additional information from the Netherlands on 5 January 2021. Such additional information was provided within six weeks of the request. The deadline of 12 weeks of the receipt of the complete application within which the Commission should finalise its assessment of the application's compliance with the conditions for providing a financial contribution expires on 11 May 2021.

Eligibility of the application

Enterprises and beneficiaries concerned

5. The application relates to 1 851 workers made redundant in KLM Royal Dutch Airlines. This enterprise operates in the economic sector classified under the NACE Revision 2 Division 51 (Air transport). The redundancies made by KLM occurred in the NUTS level 2 Province of Noord-Holland (NL32).

Intervention criteria

6. The Netherlands submitted the application under the intervention criteria of Article 4(1)(a) of the EGF Regulation, which requires at least 500 workers being made redundant over a reference period of four months in an enterprise in a Member State, including workers made redundant by suppliers and downstream producers and / or self-employed persons whose activity has ceased.

7. The reference period of four months for the application runs from 15 August 2020 to 15 December 2020.

8. There were 650 workers made redundant in KLM during the reference period.

Calculation of redundancies and of cessation of activity

9. All redundancies during the reference period have been calculated from the date of the employer's individual notice to lay off or to terminate the contract of employment of the worker.

[6] In accordance with Article 7(4) of Regulation (EU) No 1309/2013.

Eligible beneficiaries

10. In addition to the workers already referred to, the eligible beneficiaries include 1 201 workers made redundant before or after the reference period of four months. These workers were all made redundant after the general announcement of the projected redundancies on 21 May 2020. A clear causal link can be established with the event which triggered the redundancies during the reference period.

11. The total number of eligible beneficiaries is therefore 1 851.

Link between the redundancies and a global financial and economic crisis

12. On 11 March 2020, the World Health Organisation (WHO) declared COVID-19 a global pandemic. On 27 May 2020, in its communication 'The European Union (EU) budget powering the recovery plan for Europe'[7], the European Commission declared that the health crisis resulted in an economic crisis, and set out a recovery plan for the economy. This included the EGF as an emergency tool to assist persons who lost their jobs due to the global economic crisis.

13. The pandemic caused the deepest recession in EU history. According to the 'Commission's Winter 2021 European Economic Forecast'[8], EU GDP contracted by 6,3 % in 2020, and projected to rebound by 3,7 % in 2021 and by 3,9 % in 2022.

14. The COVID-19 pandemic has had a significant impact on the aviation industry due to travel restrictions and a dramatic decline in passenger air transport. The drop in passenger numbers massively reduced the revenues of airlines and forced many of them to lay off employees or declare insolvency. In April 2020, international passenger traffic dropped by 98,9 % compared to April 2019 and 64 % of global aircraft was put into storage, representing the largest contraction in aviation history[9].

15. In June 2020, passenger demand improved slightly, but remained significantly below pre-crisis levels. Total demand (measured in revenue passenger kilometres or RPKs) shrank by 86,5 % compared to June 2019[10].

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7 COM(2020) 442 final.

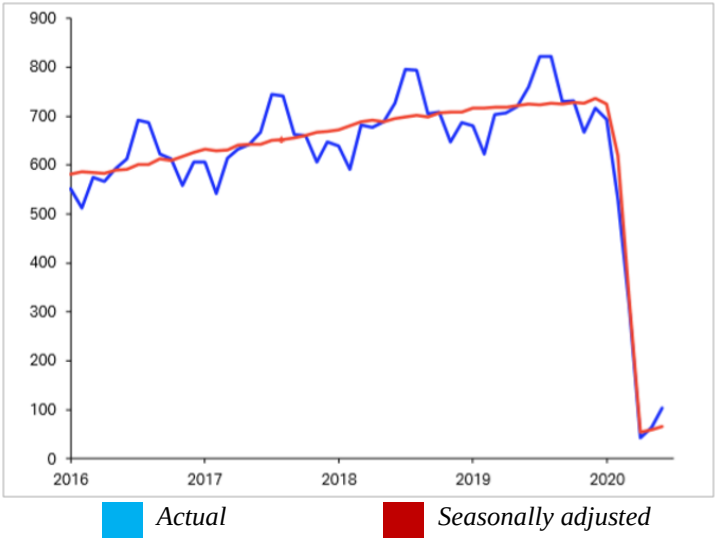
8 Winter 2021 Economic Forecast https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/winter-2021-economic-forecast-challenging-winter-light-end-tunnel_en

9 ATAG. 2020 Aviation Benefits Beyond Borders Report: https://aviationbenefits.org/media/167186/abbb2020_full.pdf

10 IATA: Air Passenger Market Analysis June 2020: https://www.iata.org/en/iata-repository/publications/economic-reports/air-passenger-monthly-analysis---june-20202/

Air passenger volumes[11]

Industry-wide revenue passenger kilometres - RPKs (billion per month)



16. Overall, international passenger demand fell by 75,6 % in 2020 compared to 2019 levels. The capacity (measured in available seat kilometres) declined by 68,1 % and the passenger load factor (which measures the percentage of available seating capacity that is filled with passengers) fell by 19,2 percentage points to 62,8 %[12].

17. According to the global passenger forecast by the International Air Transport Association, it will take 3 to 4 years for the aviation industry to recover to its pre-crisis level[13].

18. To date, the air transport sector has been the subject of three applications for EGF support, all based on trade related globalisation[14].

Events giving rise to the redundancies and cessation of activity

19. The events giving rise to these redundancies are a result of the unexpected global economic crisis caused by the COVID-19 pandemic.

20. The Netherlands reports that KLM has been hit hard by the impact of the COVID-19 pandemic. Before the pandemic, the financial performance of KLM increased steadily between 2015 and 2019. In 2015, KLM registered a revenue of EUR 9 905 million, whereas by 2019 this had increased to EUR 11 075 million. The net profit for the financial year 2019 amounted to EUR 449 million compared to EUR 54 million for 2015[15].

21. However, the crisis has undermined KLM's good results of recent years. In mid-March 2020, KLM operations have largely come to a standstill while their operating costs have remained at the same level[16].

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11 Ibid.

12 IATA : https://www.iata.org/en/pressroom/pr/2021-02-03-02/

13 IATA: https://www.iata.org/en/pressroom/pr/2020-07-28-02/

14 EGF/2017/009 FR/Air France, COM(2018) 230; EGF/2013/014 FR Air France, COM(2014) 701 and EGF/2015/004 IT Alitalia, COM(2015) 397.

15 KLM annual report 2019: https://www.klm.com/travel/nl_nl/images/KLM-Jaarverslag-2019_tcm541-1063986.pdf

16 Letter of 24 April 2020 to the House of Representatives from Minister of Finance Wopke Hoekstra and Minister of Infrastructure and Water Management Cora van Nieuwenhuizen on possible support

22. KLM carried 11,2 million passengers in 2020, a massive drop of 68 % compared to the year before. The passenger load factor fell to 52,2 % compared to 89,4 % in 2019[17].

23. In 2020, KLM's revenues fell by 53,8 % to EUR 5 120 million, compared to a year before. Due to the sharp drop in revenues, KLM accumulated an operating loss of EUR 1 154 million in 2020, compared to a profit of EUR 714 million in 2019[18].

24. On 31 July 2020, KLM management announced a restructuring plan in order to reduce costs. This led to the workforce being reduced by around 5 000 full-time equivalents (from 33 000 to 28 000 full-time equivalents)[19].

25. KLM management forecasts a return to pre-crisis flight movements by 2024. The degree and speed of the recovery will depend on a number of factors including the development of the virus, economic recovery and customer travel behaviour[20].

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

26. The redundancies in KLM have a serious impact on the national economy. KLM is the Netherlands' second-largest private employer with over 33 000 employees[21].

27. KLM operates from Amsterdam Airport Schiphol and has its headquarters in Amstelveen, meaning that many KLM employees live in the Province of Noord-Holland.

28. The unemployment rate in Noord-Holland increased by 1,5 percentage points to 4,8 % in the fourth quarter of 2020 compared to the same quarter of 2019. Compared to the neighbouring provinces, Noord-Holland had the highest unemployment rate compared with 4,2 % in Flevoland and 4,5 % in South-Holland[22].

29. The Netherlands argues that Greater Amsterdam (a sub-region of the Noord-Holland Province) is among the regions most affected by redundancies. This is because the economic crisis hit hardest the sectors that are heavily concentrated in this area, such as aviation, hospitality, culture, sports and recreation[23].

30. According to data collected in June 2020 by the Dutch Employee Insurance Agency (UWV), 34 % of employees in the Greater-Amsterdam sub-region work in sectors which experienced a large or very large reduction in employment, while the nationwide figure was around 32 %[24].

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measures for Air France-KLM: https://www.government.nl/documents/parliamentary-documents/2020/04/24/letter-on-possible-support-measures-for-air-france-klm

17 https://www.airfranceklm.com/sites/default/files/q4_2020_press_release_en_final.pdf

18 https://www.airfranceklm.com/sites/default/files/q4_2020_press_release_en_final.pdf

19 KLM newsroom: https://news.klm.com/klm-adapts-organisation-further-due-to-covid-19-crisis/

20 Aviation24: https://www.aviation24.be/airlines/air-france-klm-group/klm-royal-dutch-airlines/cuts-staff-to-cope-with-coronavirus-pandemic/

21 KLM annual report 2019: https://www.klm.com/travel/nl_nl/images/KLM-Jaarverslag-2019_tcm541-1063986.pdf

22 Statistics Netherlands (CBS): https://opendata.cbs.nl/statline/#/CBS/nl/dataset/83523NED/table?dl=4B4E7

23 The Dutch Employee Insurance Agency (UWV) report: https://www.uwv.nl/overuwv/Images/regionale-verschillen-impact-corona-werkgelegenheid.pdf

24 Ibid.

Targeted beneficiaries and proposed actions

Targeted beneficiaries

31. Out of the 1 851 eligible persons, the estimated number of redundant workers expected to participate in EGF measures is 1 201. The breakdown of these redundant workers by sex, citizenship and age group is as follows:

Category		Number of targeted beneficiaries	
Sex:	Men:	933	(77,69 %)
	Women:	268	(22,31 %)
Citizenship:	EU citizens:	1 180	(98,25 %)
	non-EU citizens:	21	(1,75 %)
Age group:	15-24 years:	35	(2,91 %)
	25-29 years:	92	(7,66 %)
	30-54 years:	697	(58,04 %)
	55-64 years:	353	(29,39 %)
	over 64 years:	24	(2,00 %)

Eligibility of the proposed actions

32. The personalised services to be provided to redundant workers consist of the following actions:

– Professional orientation. During this phase the participants will receive information about the support process, orientation and job search assistance. It also includes individual self-confidence coaching to help workers to move to new jobs.

– Support to find work in dedicated sectors. This measure will provide professional assistance to move to sectors with labour shortages, such as education, healthcare, logistics, technologies and information management. For instance, people with a technical background (i.e. KLM engineering and maintenance) could be reskilled, enabling them to take a job in a technology related sector.

– Training, coaching and/or education. This will include measures to develop skills needed in a new field of employment.

– Financial advice. This measure will provide individual assessment and financial advice to ensure that an affected employee has a clear view on his/her financial situation and the outlook to make the right decision. In this assessment, the financial service expert will take into account personal circumstances, how a change in job affects income, housing situation (i.e. ability to fulfil mortgage obligations, rental fees, effect of possible relocation), and the effects of specific measures from collective labour agreements and of changing national fiscal regulations.

33. The proposed actions, here described, constitute active labour market measures within the eligible actions set out in Article 7 of the EGF Regulation. These actions do not substitute passive social protection measures.

34. The Netherlands has provided the required information on actions that are mandatory for the enterprise concerned by virtue of national law or pursuant to collective agreements. They have confirmed that a financial contribution from the EGF will not replace such actions.

Estimated budget

35. The estimated total costs are EUR 8 365 364, comprising expenditure for personalised services of EUR 8 030 750 and expenditure for preparatory, management, information and publicity, control and reporting activities of EUR 334 614.

36. The total financial contribution requested from the EGF is EUR 5 019 218 (60 % of total costs).

Actions	Estimated number of participants	Estimated cost per participant *(EUR)*	Estimated total costs *(EUR)*
Personalised services (Actions under Article 7(1)(a) and (c) of the EGF Regulation)			
Professional orientation	901	3 750	3 378 750
Support to find work in dedicated sectors	300	5 000	1 500 000
Training, coaching and/or education	1 201	2 000	2 402 000
Financial advice	600	1 250	750 000
Sub-total (a): Percentage of the package of personalised services	–		8 030 750 (100 %)
Allowances and incentives (Actions under Article 7(1)(b) of the EGF Regulation)			
	0	0	0
Sub-total (b): Percentage of the package of personalised services:	–		0 (0 %)
Actions under Article 7(4) of the EGF Regulation			
1. Preparatory activities	–		0
2. Management	–		83 654
3. Information and publicity	–		83 654
4. Control and reporting	–		167 306

Sub-total (c): Percentage of the total costs :	–	334 614 (4 %)
Total costs (a + b + c):	–	8 365 364
EGF contribution (60 % of total costs)	–	5 019 218

Period of eligibility of expenditure

37. The Netherlands started providing the personalised services to the targeted beneficiaries on 1 February 2021. The expenditure on the actions will therefore be eligible for a financial contribution from the EGF from 1 February 2021 to 1 February 2023.

38. The Netherlands started incurring the administrative expenditure to implement the EGF on 1 February 2021. The expenditure for preparatory, management, information and publicity, control and reporting activities shall therefore be eligible for a financial contribution from the EGF from 1 February 2021 to 1 August 2023.

Complementarity with actions funded by national or Union funds

39. The source of national pre-financing or co-funding is KLM.

40. The Netherlands has confirmed that the measures described above receiving a financial contribution from the EGF will not also receive financial contributions from other European Union financial instruments[25].

Procedures for consulting the targeted beneficiaries or their representatives or the social partners as well as local and regional authorities

41. The Netherlands has indicated that the co-ordinated package of personalised services has been put together in consultation with stakeholders and social partners. A works council was set up to ensure that these services are coordinated.

42. The preparation activities included meetings with the works council and the trade unions, namely Christelijk Nationaal Vakverbond (CNV), De Unie, Nederlandse Vereniging voor Luchtvaart (NVLT), Vereniging Nederlands Cabinepersoneel (VNC), Vereniging van KLM Professionals (VKP), and Federatie Nederlandse Vakbeweging (FNV).

Management and control systems

43. The application contains a description of the management and control system which specifies the responsibilities of the bodies involved. The Netherlands has notified the Commission that the financial contribution will be managed and controlled by the same bodies involved in managing the European Social Fund. Management and control tasks are performed by the Implementation of Policy part of the Service, Collaboration and Implementation department (SZV; Ministry of Social Affairs and Employment).

44. Regarding the role of the certifying authority, this is taken up by the Netherlands Enterprise Agency (RVO), which operates under the Ministry of Economic Affairs

[25] On 13 July 2020, the European Commission has approved, under EU State aid rules, a EUR 3.4 billion Dutch State aid measure consisting of a State guarantee on loans and a subordinated State loan to KLM to provide urgent liquidity to the company in the context of the coronavirus outbreak. https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1333

and Climate Policy. Regarding auditing, the responsible body is the Central Government Audit Service of the Ministry of Finance.

Commitments provided by the Member State concerned

45. The Netherlands has provided all necessary assurances regarding the following:

- the principles of equality of treatment and non-discrimination will be respected in the access to the proposed actions and their implementation,
- the requirements laid down in national and EU legislation concerning collective redundancies have been complied with,
- KLM, which has continued its activities after the lay-offs, has complied with its legal obligations governing the redundancies and provided for its workers accordingly,
- the proposed actions will not receive financial support from other Union funds or financial instruments and any double financing will be prevented,
- the proposed actions will be complementary with actions funded by the Structural Funds,
- the financial contribution from the EGF will comply with the procedural and material Union rules on State aid.

BUDGETARY IMPLICATION

Budgetary proposal

46. The EGF shall not exceed a maximum annual amount of EUR 186 million (2018 prices), as laid down in Article 8(1) of Council Regulation (EU, Euratom) 2020/2093 of 17 December 2020 laying down the multiannual financial framework for the years 2021-2027[26].

47. Having examined the application in respect of the conditions set out in Article 13(1) of the EGF Regulation, and having taken into account the number of targeted beneficiaries, the proposed actions and the estimated costs, the Commission proposes to mobilise the EGF for the amount of EUR 5 019 218, representing 60 % of the total costs of the proposed actions, in order to provide a financial contribution for the application.

48. The proposed decision to mobilise the EGF will be taken jointly by the European Parliament and the Council, as laid down in point 9 of the Interinstitutional Agreement of 16 December 2020 between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources[27].

Related acts

49. At the same time as it presents this proposal for a decision to mobilise the EGF, the Commission will present to the European Parliament and to the Council a proposal for a transfer to the relevant budgetary line for the amount of EUR 5 019 218.

[26] OJ L 433I, 22.12.2020, p. 15.
[27] OJ L 433I, 22.12.2020, p. 29.

50. At the same time as it adopts this proposal for a decision to mobilise the EGF, the Commission will adopt a decision on a financial contribution, by means of an implementing act, which will enter into force on the date at which the European Parliament and the Council adopt the proposed decision to mobilise the EGF.

2021/0115 (BUD)

Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the mobilisation of the European Globalisation Adjustment Fund following an application from the Netherlands – EGF/2020/004 NL/KLM

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 Regulation (EU) No 1309/2013 of the European Parliament and of the Council of 17 December 2013 on the European Globalisation Adjustment Fund (2014-2020) and repealing Regulation (EC) No 1927/2006[28], and in particular Article 15(4) thereof,

Having regard to the Interinstitutional Agreement of 16 December 2020 between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources[29], and in particular point 9 thereof,

Having regard to the proposal from the European Commission,

Whereas:

(1) The European Globalisation Adjustment Fund (EGF) aims to provide support for workers made redundant and self-employed persons whose activity has ceased as a result of major structural changes in world trade patterns due to globalisation, as a result of a continuation of the global financial and economic crisis, or as a result of a new global financial and economic crisis, and to assist them with their reintegration into the labour market.

(2) The EGF is not to exceed a maximum annual amount of EUR 186 million (2018 prices), as laid down in Article 8(1) of Council Regulation (EU, Euratom) 2020/2093[30].

(3) On 22 December 2020, the Netherlands submitted an application to mobilise the EGF, in respect of redundancies in KLM Royal Dutch Airlines in the Netherlands. It was supplemented by additional information provided in accordance with Article 8(3) of Regulation (EU) No 1309/2013. That application complies with the requirements for determining a financial contribution from the EGF as laid down in Article 13 of Regulation (EU) No 1309/2013.

(4) The EGF should, therefore, be mobilised in order to provide a financial contribution of EUR 5 019 218 in respect of the application submitted by the Netherlands.

(5) In order to minimise the time taken to mobilise the EGF, this decision should apply from the date of its adoption,

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28 OJ L 347, 20.12.2013, p. 855.

29 OJ L 433I, 22.12.2020, p. 29.

30 Council Regulation (EU, Euratom) 2020/2093 of 17 December 2020 laying down the multiannual financial framework for the years 2021-2027 (OJ L 433I, 22.12.2020, p. 11).

HAVE ADOPTED THIS DECISION:

Article 1

For the general budget of the Union for the financial year 2021, the European Globalisation Adjustment Fund shall be mobilised to provide the amount of EUR 5 019 218 in commitment and payment appropriations.

Article 2

This Decision shall enter into force on the day of its publication in the Official Journal of the European Union. It shall apply from [*the date of its adoption*][*].

Done at Brussels,

For the European Parliament	*For the Council*
The President	*The President*

[*] Date to be inserted by the Parliament before the publication in OJ.