Mobilisation of the European Globalisation Adjustment Fund: redundancies in ICT services in Ireland

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in ICT services in Ireland.

PROPOSED ACT: Decision of the European Parliament and of the Council.

CONTENT: the European Globalisation Adjustment Fund (EGF) was established by Council Regulation No 1927/2006 to provide additional support to redundant workers who suffer from the consequences of major structural changes in world trade patterns and to assist them with their reintegration into the labour market.

The Interinstitutional Agreement of 17 May 2006 on budgetary discipline 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 Commission services have carried out a thorough examination of the application submitted by Ireland to mobilise the EGF. The main elements of the assessment are as follows:

Ireland: application EGF/2012/001 IE/Talk Talk: on 29 February 2012, Ireland submitted application EGF/2012/001 IE/Talk Talk for a financial contribution from the EGF, following redundancies in Talk Talk Broadband Services (Ireland) Limited and three of its suppliers in Ireland. The application was supplemented by additional information up to 15 May 2012.

In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, Ireland argues that Talk Talk was a customer service centre based in Waterford, originally set up to provide services for both the companies Talk Talk UK and AOL UK. Talk Talk offered telecoms services to residential Irish customers under the Talk Talk and AOL brands and to business customers under the Opal brand. Talk Talk grew very rapidly, both by acquisition and organically. Between 2005 and 2011, it grew from no broadband customers to over four million. This rapid growth happened when the company acquired UK internet service providers such as One Tel, AOL and Tiscali and offered free broadband services to the UK market. It gave Talk Talk a call centre "estate" of 24 centres in Ireland, the UK, India, the Philippines and South Africa. These centres had been handling millions of calls per week in the past. To address the new challenges, Talk Talk rationalised its IT systems, improved and simplified its business processes, and reorganised its brands, customer offering and organisation into one company i.e. Talk Talk Group plc, down from nine companies previously.

One major result of these actions was that Talk Talk reduced its number of call centres from 24 to 13. The Waterford redundancies were a direct result of the company’s decision to consolidate activities both in the UK and with three chosen outsourcers.

In 2011, the company adopted strategic alliances with three key non-EU providers where a significant bulk of work is being transferred. These third country providers are Wipro in India, Transcom in the Phillipines, and CCI in South Africa. As a result, some 80 % of Talk Talk volumes are now estimated by the company to be handled outside the EU. Talk Talk has moved towards a primarily outsourced call

services model with some specialist activities being retained in the United Kingdom only, and this has resulted in the loss of the entire Waterford based operation.

Ireland 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. The application cites 586 redundancies in Talk Talk Broadband Services (Ireland) Limited and three of its suppliers during the four-month reference period from 7 September 2011 to 7 January 2012 and a further six redundancies outside the reference period, but related to the same collective redundancies procedure.

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.

On the basis of the application from Ireland, the proposed contribution from the EGF to the coordinated package of personalised services is **EUR 2 696 382**, representing 65% of the total cost.

IMPACT ASSESSMENT: no impact assessment was carried out.

FINANCIAL IMPLICATIONS: 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.

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.

By presenting this proposal to mobilise the EGF, the Commission initiates the simplified trialogue 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 trialogue meeting will be convened.

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. Appropriations on the EGF budget line will be used to cover the amount of EUR 2 696 382 needed for the present application.