Mobilisation of the European Globalisation Adjustment Fund: redundancies in the air transport sector in France

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) to assist France following redundancies in its air transport sector.

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

CONTENT: Article 12 of Council Regulation (EU, Euratom) No 1311/2013 laying down the multiannual financial framework for the years 2014-2020 provides that the EGF shall not exceed a maximum annual amount of **EUR 150 million** (2011 prices) over and above the relevant headings of the financial framework.

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 on the European Globalisation Adjustment Fund (2014-2020) and repealing Regulation (EC) No 1927/2006 (the 'EGF Regulation').

The Commission examined the application for mobilisation of the EGF to assist France and concluded the following:

France: EGF/2013/014 FR/Air France: on 20 December 2013, France submitted application EGF/2013 /014 FR/Air France for a financial contribution from the EGF, following redundancies in Air France in France. The application was supplemented by additional information up to 24 July 2014.

In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, France argues that although globally, the international air transport market is still dominated by European airlines, this sector has undergone serious economic disruption, in particular a decline of the EU's market share.

Over the period 2008-2012, the global traffic increased by 4.6% per year. However, the air traffic between Europe and the rest of the world is growing at a slower pace (2.4%) which has led to a decrease of the EU-27's market share in air transport measured in revenue passenger-kilometres (RPK). Available data for 2013 indicate that the trend shown for the period 2008-2012 continues.

The period 2008-2012 was difficult for the three largest airlines in Europe Lufthansa, Air France-KLM and IAG, all of them show losses at least in two years out of the five years considered. The Air France-KLM group situation is particularly difficult because of its financial situation. Faced with a high debt and an insufficient stock market capitalization (less than the value of its fleet) Air France could not efficiently react to the loss of market share in international air transport, which ended in a plan of several thousands of voluntary departures agreed with the workers and employees representatives.

France 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 1019 redundancies in Air France during the four-month reference period from 1 July 2013 to 31 October 2013 and a further 4 194 redundancies outside the reference period, but related to the same collective redundancies procedure. All of these redundancies were calculated in accordance with the second paragraph of Article 2 of Regulation (EC) No 1927/2006.

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 France, the proposed contribution from the EGF to the coordinated package of personalised services (including expenditure to implement EGF) is **EUR 25 937 813**, representing 50% of the total cost.

FINANCIAL IMPLICATION: considering the maximum possible amount of a financial contribution from the EGF under Article 12 of Council Regulation (EU, Euratom) No 1311/2013, as well as the scope for reallocating appropriations, the Commission proposes to mobilise the EGF for the total amount referred to above.

The proposed decision to mobilise the EGF will be taken jointly by the European Parliament and the Council, as laid down in point 13 of the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management.

The Commission presents separately a transfer request in order to enter in the 2014 budget specific commitment appropriations, as required in Point 13 of the Interinstitutional Agreement of 2 December 2013.