Mobilisation of the European Globalisation Adjustment Fund: redundancies in aircraft repair and installation services in Ireland

2015/2045(BUD) - 06/02/2015 - Non-legislative basic document

PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) to assist Ireland following redundancies in its aircraft repair and installation services.

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').

In this context, the Commission examined the application for mobilisation of the EGF to assist Ireland and concluded the following:

Ireland: EGF/2014/016 IE/Lufthansa Technik: the Irish authorities submitted application EGF/2014 /016 IE/Lufthansa Technik for a financial contribution from the EGF, following redundancies in Lufthansa Technik Airmotive Ireland Ltd (LTAI) and two of its suppliers in Ireland.

The Irish authorities submitted the application within **12 weeks** of the date on which the intervention criteria set out below were met. The deadline expired on 6 February 2015.

In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, Ireland argues that the closure of the LTAI is a result of a serious shift in the EU trade in goods and services resulting from a technological shift towards the production of new generation aircraft and components; a shift in wider aircraft component production practices with resultant impacts on the market fundamentals of the underlying business model of LTAI and a shift in location of global aircraft production.

Over the last 20 years, the most popular aircraft types have evolved from largely allmetal, mechanical, electro-mechanical, hydraulic and pneumatic designs to increasing composite, metal/composite structures, fly-by-wire automated, fully computer-controlled aircraft.

With the arrival of further new generation types such as the B737 Max and A320 Neo, operators have moved to retire the older classic aircraft and to some extent the older versions of the new generation types.

The traditional business model of LTAI was based on a number of elements which have come under severe pressure as a result of changes in the world aircraft fleet profiles and resultant rapid decline of the aircraft models that formed the base of the LTAI portfolio. A driving force behind increases in global air travel growth has been the industrialisation of countries such as India and China. In Asia Pacific and the

Middle East, ambitious construction plans for new international and domestic airports will provide new opportunities for commercial aircraft MRO providers.

Lufthansa Technik has also in 2013 and early 2014 either entered into, or renewed, aircraft service contracts with Malaysia, India and Sri Lanka and Pakistan. These non-EU companies are clearly intended to provide capacity and services at lower cost than Lufthansa's main bases in the EU and will help cater for the rapid growth of the aviation industry outside the EU.

The events giving rise to the redundancies in Lufthansa Technik Airmotive Ireland Ltd are the closure of the enterprise and the dismissal of the entire workforce.

The application relates to 148 workers made redundant in Lufthansa Technik Airmotive Ireland Ltd and 1 worker made redundant in 1 supplier of the primary enterprise during the same reference period of four months, from 1 March to 30 June 2014.

Basis of the Irish application: the Irish authorities submitted the application under the intervention criteria of Article 4(2) of the EGF Regulation, derogating from the criteria of Article 4(1)(a), which requires at least 500 workers being made redundant or self-employed persons' activity ceasing, 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.

Ireland has argued that exceptional circumstances prevail in this case, as the redundancies have a serious impact on employment and the local and regional economy. In addition to the workers already referred to, the eligible beneficiaries include 275 workers made redundant before or after the reference period of four months. The total number of eligible beneficiaries is therefore 424.

The Commission therefore proposes to mobilise the EGF for the amount of **EUR 2 490 758**.

FINANCIAL IMPLICATIONS: 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 2 490 758, representing 60% of the total costs of the proposed actions, in order to provide a financial contribution for the application.

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.

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 requested.

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.