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

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in order to assist Ireland in dealing with redundancies in its aviation maintenance 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 is not to exceed a maximum annual amount of **EUR 150 million** (2011 prices).

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.

In this context, the Commission has assessed the application for the mobilisation of the EGF in order to assist Finland, and has concluded as follows:

Ireland: EGF/2015/006 IE/PWA International: on 19 June 2015, Ireland submitted application EGF /2015/006 IE/PWA International Ltd for a financial contribution from the EGF, following redundancies in PWA International (PWAI) and one supplier in Ireland.

Ireland submitted its application within **12 weeks** of the date on which the intervention criteria were met. The deadline expired on 6 November 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 PWAI, a Maintenance Repair and Overhaul (MRO) enterprise and a joint venture between *United Technologies Corporation's Pratt & Whitney* (P&W) and *Singapore Airlines Engineering Company* (SIAEC), was made to consolidate the company's operations in North America and Asia by the phased transfer from PWAI to other repair facilities within the P&W network, namely P&W PSD based in Arkansas (USA) and Eagle Services Asia based in Singapore.

Over the past 10 years Asia-based customers have accounted for approximately 50 % of PWAI's business e.g. *Japan Airlines* (JAL), *JAL Aeroparts*, *All Nippon Airways* (ANA) and *Mitsubishi Heavy Industries* (MHI). Another 40 % of PWAI's business has been with USA-based customers, like United Airlines, and just 10 % with European customers e.g. *SR Technics* in Switzerland and *Lufthansa* in Germany.

Technological shifts towards new generation aircraft also help to explain the reduced demand for activity by PWAI at an Irish location and the migration of such activity outside the EU. The future world aircraft fleet is likely to be dominated by single aisle / narrow-body aircraft typical of Airbus 32. This growth is predicted to emanate from Asia, where the aviation sector is expanding and there is a requirement to replace older aircraft types with narrow body types.

The trend towards locating MRO activity near centres of global aviation expansion, and the adverse impacts of global trade deals, has seriously affected Europe and in particular Ireland. To date, the "repair and installation of machinery and equipment" sector has been the subject of these three EGF applications, two of which based on trade related globalisation (EGF/2014/0161E/ Lufthansa Technik and the current application) and one (EGF/2009/021 IE/SR Technics) on the global financial and economic crisis.

The application relates to 108 workers made redundant in *PWA International Ltd*. and one supplier. The primary enterprise operated in the economic sector classified under the NACE Revision 2 Division 33 (Repair and installation of machinery and equipment). The redundancies made by the enterprises are mainly located in the NUTS5 level 2 region of Southern and Eastern (IE 02).

Eligibility of the Irish application: Ireland submitted the application under the intervention criteria of Article 4(2) derogating from the 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.

The redundancies during the reference period are 61 workers made redundant by PWA International Ltd and 47 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 10 October 2013. The total number of eligible beneficiaries is therefore 108.

It is proposed to contribute to all personalised services the total of **EUR 442 293**.

BUDGETARY 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 442 293, 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 of EUR 442 293.

Furthermore, 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 on which the European Parliament and the Council adopt the proposed decision to mobilise the EGF.