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Committee on Budgets

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DRAFT REPORT

on the proposal for a decision of the European Parliament and of the Council on the mobilisation of the European Globalisation Adjustment Fund, in accordance with 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 (application EGF/2014/016 IE/Lufthansa Technik, from Ireland)
(COM(2015)0047 – C8-0038/2015 – 2015/2045(BUD))

Committee on Budgets

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

**on the proposal for a decision of the European Parliament and of the Council on the mobilisation of the European Globalisation Adjustment Fund, in accordance with 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 (application EGF/2014/016 IE/Lufthansa Technik, from Ireland)
(COM(2015)0047 – C8-0038/2015 – 2015/2045(BUD))**

The European Parliament,

- having regard to the Commission proposal to the European Parliament and the Council (COM(2015)0047 – C8-0038/2015),
 - 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 1927/2006¹,
 - having regard to Council Regulation (EU, Euratom) No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020², and in particular Article 12 thereof,
 - having regard to 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 management³ (IIA of 2 December 2013), and in particular point 13 thereof,
 - having regard to the trilogue procedure provided for in point 13 of the IIA of 2 December 2013,
 - having regard to the letter of the Committee on Employment and Social Affairs,
 - having regard to the letter of the Committee on Regional Development,
 - having regard to the report of the Committee on Budgets (A8-0000/2015),
- A. whereas the Union has set up legislative and budgetary instruments to provide additional support to workers who are suffering from the consequences of major structural changes in world trade patterns or the global financial and economic crisis and to assist their reintegration into the labour market,
- B. whereas the Union's financial assistance to workers made redundant should be dynamic and made available as quickly and efficiently as possible, in accordance with the Joint Declaration of the European Parliament, the Council and the Commission adopted

¹ OJ L 347, 20.12.2013, p. 855.

² OJ L 347, 20.12.2013, p. 884.

³ OJ C 373, 20.12.2013, p. 1.

during the conciliation meeting on 17 July 2008, and having due regard to the IIA of 2 December 2013 in respect of the adoption of decisions to mobilise the European Globalisation Adjustment Fund (EGF),

- C. whereas the adoption of the EGF Regulation reflects the agreement reached between the Parliament and the Council to reintroduce the crisis mobilisation criterion, to increase Union financial contribution to 60 % of the total estimated cost of proposed measures, to increase efficiency for the treatment of EGF applications in the Commission and by the Parliament and the Council by shortening the time for assessment and approval, to widen eligible actions and beneficiaries by introducing self-employed persons and young people and to finance incentives for setting up own businesses,
- D. whereas Ireland submitted application EGF/2014/016 IE/Lufthansa Technik for a financial contribution from the EGF, following a total of 424 redundancies in Lufthansa Technik Airmotive Ireland Ltd (LTAI) and two of its suppliers in Ireland,
- E. whereas the Irish authorities will, in addition to the 250 targeted beneficiaries, provide personalised services co-financed by the EGF to up to 200 young people not in employment, education or training (NEETs) under the age of 25 on the date of submission of the application,
- F. whereas the application does not fulfil the eligibility criteria laid down in article 4(1)(a) of the EGF Regulation and is based on the exceptional circumstances provision contained in article 4(2),
 - 1. Notes that the conditions set out in Article 4(1)(a) of the EGF Regulation are not met, but agrees with the Commission that Ireland is entitled to a financial contribution under the exceptional circumstances provision of that Regulation because of the serious impact on employment and the local and regional economy of the closure and dismissal of the entire workforce of Lufthansa Technik Airmotive Ireland Ltd;
 - 2. Notes that the Irish authorities submitted the application for EGF financial contribution on 19 September 2014, supplemented it by additional information up to 14 November 2014 and that its assessment was made available by the Commission on 6 February 2015;
 - 3. Welcomes the fact that, in order to provide workers with speedy assistance, the Irish authorities decided to initiate the implementation of the personalised services to the affected workers on 7 December 2013, well ahead of the decision and even the application on granting the EGF support for the proposed coordinated package; these personalised services which have already been offered will be eligible for EGF funding;
 - 4. Considers that the redundancies in the 'repair and installation of machinery and equipment' sector in the region of Southern and Eastern Ireland are linked to major structural changes in world trade patterns due to globalisation, as shown by the closure of LTAI as a result of a serious shift in Union trade in goods and services resulting from a technological shift towards the production of new generation aircraft and components, by the shift in wider aircraft component production practices with resultant impacts on the market fundamentals of the underlying business model of LTAI and the shift in

location of global aircraft production; notes that the tendency for West European and US carriers is to send their wide-bodied aircraft to China for heavy maintenance and even the parent company Lufthansa Technik has decided to base its global Airbus A330/340 MRO operations at its Lufthansa Technik Philippines subsidiary;

5. Notes that to date, the 'repair and installation of machinery and equipment' sector has been the subject of two EGF applications (including this case), the other case having been based on the global financial and economic crisis¹;
6. Notes that these redundancies are expected to have huge negative impacts on Southern and Eastern Ireland, which presents pockets of considerable local disadvantage, as the following socio-economic indicators show: low levels of educational achievement, lack of professional qualifications and a high levels of local authority housing; all these factors point to considerable local disadvantage and poverty; moreover, a series of redundancies in enterprises in this sector over the last years has made it even more difficult for the workforce that possesses some very specific skills that are difficult to be exploited in other sectors to find a new job; Blanchardstown-Tyrrelstown, Tallaght-Killinarden, Clondalkin-Rowlagh and Tallaght-Fettercairn are a few of the areas where the Lufthansa workers reside where the average unemployment figure is around 23 %;
7. Notes that the coordinated package of personalised services to be co-funded consists of guidance and career planning, EGF training grants, training and further education programmes, higher education programmes, enterprise and self-employment supports, income supports including the EGF course expense contribution scheme;
8. Welcomes the fact that the co-ordinated package of personalised services has been drawn up in consultation with the targeted beneficiaries and their representatives as well as the trade unions;
9. Recalls the importance of improving the employability of all workers by means of adapted training and the recognition of skills and competences gained throughout a worker's professional career; expects the training on offer in the coordinated package to be adapted not only to the needs of the dismissed workers but also to the actual business environment;
10. Stresses that EGF assistance can co-finance only active labour market measures which lead to durable, long-term employment; reiterates that assistance from the EGF must not replace actions which are the responsibility of companies by virtue of national law or collective agreements nor measures restructuring companies or sectors;
11. Approves the decision annexed to this resolution;
12. Instructs its President to sign the decision with the President of the Council and arrange for its publication in the *Official Journal of the European Union*;
13. Instructs its President to forward this resolution, including its annex, to the Council and the Commission.

¹ EGF/2009/021 IE/SR Technics

ANNEX: DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the mobilisation of the European Globalisation Adjustment Fund, in accordance with 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 (application EGF/2014/016 IE/Lufthansa Technik, from Ireland)

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 1927/2006¹, and in particular Article 15(4) thereof,

Having regard to 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 management², and in particular point 13 thereof,

Having regard to the proposal from the European Commission,

Whereas:

- (1) The European Globalisation Adjustment Fund (EGF) was established 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 addressed in Regulation (EC) No 546/2009³, or as a result of a new global financial and economic crisis and to assist them with their reintegration into the labour market.
- (1) The EGF shall not exceed a maximum annual amount of EUR 150 million (2011 prices), as laid down in Article 12 of Council Regulation (EU, Euratom) No 1311/2013⁴.
- (2) On 19 September 2014 Ireland submitted an application to mobilise the EGF, in respect of redundancies in Lufthansa Technik Airmotive Ireland LTD and two suppliers in Ireland. It was supplemented by additional information pursuant to Article 8.3 of Regulation (EU) No 1309/2013. The application complies with the requirements

¹ OJ L 347, 20.12.2013, p. 855.

² OJ C 373, 20.12.2013, p. 1.

³ Regulation (EC) No 546/2009 of the European Parliament and of the Council of 18 June 2009 amending Regulation (EC) No 1927/2006 on establishing the European Globalisation Adjustment Fund (OJ L 167, 29.6.2009, p.26)

⁴ Council Regulation (EU, Euratom) No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020 (OJ L 347, 20.12.2013, p. 884).

for determining a financial contribution from the EGF in accordance with Article 13 of Regulation (EU) No 1309/2013.

- (3) In accordance with Article 6(2) of Regulation (EU) No 1309/2013, Ireland has decided to provide personalised services co-financed by the EGF also to 200 young people not in employment, education or training (NEETs).
- (4) The EGF should, therefore, be mobilised in order to provide a financial contribution of a total amount of EUR 2 490 758 for the application submitted by Ireland,

HAVE ADOPTED THIS DECISION:

Article 1

For the general budget of the European Union for the financial year 2015, the European Globalisation Adjustment Fund shall be mobilised to provide the sum of EUR 2 490 758 in commitment and payment appropriations.

Article 2

This Decision shall be published in the *Official Journal of the European Union*. Done at Brussels,

For the European Parliament
The President

For the Council
The President

EXPLANATORY STATEMENT

I. Background

The European Globalisation Adjustment Fund has been created in order to provide additional assistance to workers suffering from the consequences of major structural changes in world trade patterns.

According to the provisions of Article 12 of Regulation (EU, Euratom) No 1311/2013 laying down the multiannual financial framework for the years 2014-2020¹, the Fund may not exceed a maximum annual amount of EUR 150 million (2011 prices). The appropriate amounts are entered into the general budget of the Union as a provision.

As concerns the procedure, according to 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 management², in order to activate the Fund the Commission, in case of a positive assessment of an application, presents to the budgetary authority a proposal for mobilisation of the Fund and, at the same time, a corresponding request for transfer. In the event of disagreement, a trilogue shall be initiated.

II. The Lufthansa Technik application and the Commission's proposal

On 6 February 2015, the Commission adopted a proposal for a decision on the mobilisation of the EGF in favour of Ireland to support the reintegration in the labour market of workers made redundant, due to major structural changes in world trade patterns due to globalisation.

This is the tenth application to be examined under the 2015 budget and refers to the mobilisation of a total amount of EUR 2 490 758 from the EGF for Ireland. It concerns 149 redundancies in the reference period from 1 March 2014 to 30 June 2014. The application is based on the intervention criteria of Article 4(2) of the EGF Regulation, which allows, under exceptional circumstances, for a derogation 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.

The application was sent to the Commission on 19 September 2014. The Commission has concluded that the application presents the required exceptional circumstances.

The Irish authorities 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.

¹ OJ L 347, 20.12.2013, p. 884.

² OJ C 373, 20.12.2013, p. 1.

The coordinated package of personalised services to be co-funded consists of guidance and career planning, EGF training grants, training and further education programmes, higher education programmes, enterprise and self-employment supports, income supports including the EGF course expense contribution scheme.

According to the Irish authorities, the measures initiated on 7 December 2013 combine to form a co-ordinated package of personalised services and represent active labour market measures with the aim of re-integrating the workers into the labour market.

The Irish authorities have 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;
- 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.

Concerning management and control systems, Ireland has notified the Commission that the financial contribution will be managed and controlled by the designated staff of the Department of Education and Skills, who have been appointed as the EGF Managing Authority.

III. Procedure

In order to mobilise the Fund, the Commission has submitted to the Budget Authority a transfer request for a global amount of EUR 2 490 758.

This is the tenth transfer proposal for the mobilisation of the Fund transmitted to the Budgetary Authority to date during 2015.

The trilogue on the Commission's proposal for a Decision on the mobilisation of the EGF could take a simplified form, as provided for in Article 12(5) of the legal base, unless there is no agreement between the Parliament and the Council.

According to an internal agreement, the Employment and Social Affairs Committee will be associated to the process, in order to provide constructive support and contribution to the assessment of the applications from the Fund.

