

Statement to the Joint Committee on Transport, Tourism and Sport, 24 May 2017 on the collapse of the Pilot Training College of Ireland and the resulting plight of the student pilots

We thank the Committee for inviting us to present to you today on behalf of the Trainee Pilots whose careers were devastated with PTC collapsed 5 years ago.

In the next ten minutes we wanted to make a number of points regarding:

- The background prior to the collapse and the level of investment in education the trainee pilots made
- The collapse of PTC in the summer of 2012 and how much was lost by the trainee pilots
- Developments since the collapse
- Concerns we have over the IAA oversight of PTC
- The human consequences
- Concluding remarks

PTC operated a pilot training business in Waterford as well as a Florida facility (working with the Florida Institute of Technology) both approved by the IAA. The IAA oversaw the safety standards and training of the company as well as ensuring that there were sufficient resources to carry out training to the required standard.

Generally students did the early part of their training in Florida where generally clear skies were available before completing training in Waterford. Training was provided to retail or self-funded students and airline sponsored students. Training was supposed to take 14 months and cost between €80 k and €90k. No state support or subsidy was available.

Fees were collected over the first 7 months of the course even if the training schedule was falling behind – the company was quite aggressive in ensuring collection. Fees were not bonded and whilst considered post the collapse the minister at the time decided not to require bonding over concerns that training firms would leave Ireland.

Prospective students and their sponsors would have taken comfort from the IAA approval and also an investment in the company by Enterprise Ireland.

PTC ceased training students late June 2012 and the IAA suspended its approval as a Flight Training Organisation on 3rd July 2012. Company initially went into examinership in July however the examinership wasn't successful and liquidation was initiated in late September 2012 although it is not yet finally concluded but there will be nothing for the students.

A total of €7.7m net fees had been prepaid, where no training had been delivered, at the date of the collapse. A figure of €8.4m gross was due as the company claimed €0.7m was owed to it by some individuals. The company at the same date had a €7.2m estimated deficit – essentially the student paid for the failure.

The 60 or so students we represent were amongst those most impacted and were owed some €2.6m. In total some 300 students were impacted.

The €7.7m net owed at June 2012 compared to €3.6m owed in December 2010. In the intervening 18 months the company lost €5m, not helped by €1.2m advertising costs in 2011 alone) as it aggressively tried to expand but failed having essentially used prepaid student fees for training it could never afford to deliver. it would appear that it had no cash relying on prepaid fees to pay bills.

Post the liquidation commencing in September 2012 hardly any cash has been realised – not enough, we believe, even to pay the liquidator. The parent company of PTC, Shemburn, which owed PTC €1.6m, was subsequently liquidated however little value was realised and nothing expected to go to PTC.

Liquidator of PTC sought to restrict directors of the company through high court proceedings resulting in the managing director (and the main shareholder) being restricted for 5 years in acting as a company director.

A range of complaints were made by students and their sponsors to Garda Bureau of Fraud Investigation however no action has been taken to date.

In October 2012 following a meeting with the IAA this committee indicated that it would undertake a forensic investigation of the collapse however this decision was reversed in private session.

As noted the company and its sister operation in Florida were approved by the IAA which undertook a review in Sept 2011 as part of its renewal/review process during which we are aware additional financial information was sought but nevertheless despite the precarious financial position of PTC approval was renewed.

We are aware from FOI disclosures that the IAA reviewed the company account of Shemburn (parent of PTC which had a €1m reported net worth at Dec 2010) although not the group accounts covering its subsidiaries as well. The IAA noted that Shemburn didn't have qualified accounts. However Shemburn was not the entity it was approving for flight training.

A review of PTC's own accounts would have shown a €2m deficit at Dec 2010 and €3.6m owed to students and a serious qualification of the accounts stating "these conditions indicate the existence of a material uncertainty which may cast significant doubt over the company's ability to continue as a going concern." PTC could only survive by collect upfront fees to pay for training already paid for by other students.

As the Director of Safety Regulation at the IAA stated at the meeting of the Committee in October 2012 many flight training companies are like Ponzi schemes. A review of the PTC accounts would have shown this to be the case.

In its financial condition PTC was in effect "borrowing from Peter to pay Paul" - how could the IAA have concluded that PTC had the resources to carry out pilot training to the required standards? It had little or no cash!

We believe that the IAA showed excessive forbearance in allowing PTC to continue to operate.

We note that the IAA had an objective to promote aviation education and training in Ireland and to that end had formed College Ireland in 2010 to promote this objective.

In addition Enterprise Ireland had injected “stabilisation funds” of almost €0.4m into PTC in 2010 by way of preference shares (full investment lost)

There was clearly a desire to promote companies like PTC which almost certainly resulted in forbearance when hard decisions were required – the problem it was the students’ monies which were at risk and which were ultimately completely lost.

The Minister noted in 2012 that students would have lost money no matter when intervention, including the withdrawal of approval, occurred implying that it was quite likely contemplated earlier.

However earlier intervention would have resulted in reduced overall losses as sums owed for training due increased dramatically from €3.6m to €7.7m net in the final 18 months!

For many students this was the only chance they had for a career/education in flying. Once PTC collapsed with no reimbursements, their dreams collapsed. Some trainees were ashamed to talk about it!

We set up a Facebook group to keep us all together and to communicate with each other with any progress or developments in our quest for justice over the last five years. We have been manning the group. We knew the group would keep at least some hope alive. About 120 students have continuously followed that group since the collapse of PTC in July 2012

Some students managed to fund themselves again to complete the training generally causing significant financial strain for their families. Many others did not complete and suffered severe financial consequences with no career to show for them.

At least one family had to downsize to afford the additional fees to continue whilst another almost had their home repossessed!

One student (post the PTC collapse) had a stress induced seizure. He was no longer able to pass a medical, and so had to give up his flying career.

Whilst we appreciate that PTC was a private company which unfortunately ended its corporate life with effectively no assets what we wish to highlight is the failure of a public body, namely the IAA, to act much earlier.

The operation of PTC was totally dependent on IAA approval and in showing the forbearance it did it allowed the students of PTC to suffer great damage to their financial positions and ambitions (in fact those more recently recruited (generally were owed the most) as students might not have suffered at all whereas those who finished during the forbearance period benefited from the former’s cash).

In its administration and governance including its diligence in reviewing the accounts of Shemburn rather than those of PTC we believe that it did not act with due care in carrying out its responsibilities particularly given the acknowledged incidence of Ponzi scheme conditions in flight training.

We note that subsequent to the PTC collapse that analogous situations regarding the safety responsibilities of public bodies such as Priory Hall resulted in very large usages of public monies. Also there was considerable co-ordinated action across government departments and the private sector over the problems of the English language schools.

Whilst the cost of flights home for trainee pilots stranded in the US were covered by the IAA no other assistance was forthcoming other than the preservation of flight records. Students who ended up redoing exams when time limits ran out due to the disruption and delays to training post the collapse received no discount to the fees that the IAA charged.

We appeal to the Committee to give our case and the futures of all these young people a full and deserved hearing.

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Co-Ordinators of the Pilot Training Action Group