



State aid: Commission approves €73 million of Italian support to compensate Alitalia for further damages suffered due to coronavirus outbreak

Brussels, 29 December 2020

The European Commission has found €73.02 million of Italian support in favour of Alitalia to be in line with EU State aid rules. This measure aims at compensating the airline for the damages suffered on 19 routes due to the coronavirus outbreak between 16 June and 31 October 2020.

Executive Vice-President Margrethe Vestager, in charge of competition policy, said: *"The aviation industry continues to be one of the sectors hit particularly hard by the impact of the coronavirus outbreak. This measure enables Italy to provide further compensation for direct damages suffered by Alitalia between June and October 2020 due to the travel restrictions necessary to limit the spread of the coronavirus. We continue working closely with Member States to ensure that national support measures can be put in place in a coordinated and effective way, in line with EU rules. At the same time, our investigations into past support measures to Alitalia are ongoing and we are in contact with Italy on their plans and compliance with EU rules."*

Alitalia is a major network airline operating in Italy. With a fleet of over 95 planes, in 2019 the company served hundreds of destinations all over the world, carrying about 20 million passengers from its main hub in Rome and other Italian airports to various international destinations.

The restrictions in place both in Italy and in other destination countries in order to limit the spread of the coronavirus have heavily affected Alitalia's operations, in particular regarding international and intercontinental flights. As a result, Alitalia incurred significant operating losses until at least 31 October 2020.

Italy notified to the Commission an additional aid measure to compensate Alitalia for further damages suffered on 19 specific routes from 16 June 2020 to 31 October 2020 due to the emergency measures necessary to limit the spread of the virus. The support will take the form of a €73.02 million direct grant, which corresponds to the estimated damage directly caused to the airline in that period according to a route-by-route analysis of the 19 eligible routes. This follows the Commission decision on 4 September 2020 to approve [Italian damage compensation measure in favour of Alitalia compensating the airline for the damage suffered from 1 March 2020 to 15 June 2020](#) resulting from governmental restrictions and containment measures taken by Italy and other destination countries to limit the spread of the coronavirus.

The Commission assessed the measure under [Article 107\(2\)\(b\)](#) of the Treaty on the Functioning of the European Union (TFEU), which enables the Commission to approve State aid measures granted by Member States to compensate specific companies or sectors for damage directly caused by exceptional occurrences. The Commission considers that the coronavirus outbreak qualifies as such an exceptional occurrence, as it is an extraordinary, unforeseeable event having significant economic impact. As a result, exceptional interventions by the Member State to compensate for the damages linked to the outbreak are justified.

The Commission found that the Italian measure will compensate for damages suffered by Alitalia which are directly linked to the coronavirus outbreak, as the loss of profitability on the 19 routes as a result of the containment measures during the relevant period can be considered as damage directly linked to the exceptional occurrence. It also found that the measure is proportionate, as the route-by-route quantitative analysis submitted by Italy appropriately identifies the damage attributable to the containment measures, and therefore the compensation does not exceed what is necessary to make good the damage on those routes.

On this basis, the Commission concluded that the additional Italian damage compensation measure is in line with EU State aid rules.

Background

Based on complaints received, on 23 April 2018 the Commission opened a formal investigation

procedure on €900 million loans granted to Alitalia by Italy in 2017. On 28 February 2020, the Commission opened a separate formal investigation procedure on an additional €400 million loan granted by Italy in October 2019. Both investigations are ongoing.

Financial support from EU or national funds granted to health services or other public services to tackle the coronavirus situation falls outside the scope of State aid control. The same applies to any public financial support given directly to citizens. Similarly, public support measures that are available to all companies such as for example wage subsidies and suspension of payments of corporate and value added taxes or social contributions do not fall under State aid control and do not require the Commission's approval under EU State aid rules. In all these cases, Member States can act immediately.

When State aid rules are applicable, Member States can design ample aid measures to support specific companies or sectors suffering from the consequences of the coronavirus outbreak in line with the existing EU State aid framework. On 13 March 2020, the Commission adopted a [Communication on a Coordinated economic response to the COVID-19 outbreak](#) setting out these possibilities.

In this respect, for example:

- Member States can compensate specific companies or specific sectors (in the form of schemes) for the damage suffered due and directly caused by exceptional occurrences, such as those caused by the coronavirus outbreak. This is foreseen by Article 107(2)(b) TFEU.
- State aid rules based on Article 107(3)(c) TFEU enable Member States to help companies cope with liquidity shortages and needing urgent rescue aid.
- This can be complemented by a variety of additional measures, such as under the de minimis Regulation and the General Block Exemption Regulation, which can also be put in place by Member States immediately, without involvement of the Commission.

In case of particularly severe economic situations, such as the one currently faced by all Member States and the UK due the coronavirus outbreak, EU State aid rules allow Member States to grant support to remedy a serious disturbance to their economy. This is foreseen by Article 107(3)(b) TFEU of the Treaty on the Functioning of the European Union.

On 19 March 2020, the Commission adopted a State aid Temporary Framework based on Article 107(3)(b) TFEU to enable Member States to use the full flexibility foreseen under State aid rules to support the economy in the context of the coronavirus outbreak. The Temporary Framework, as amended on 3 April, 8 May 2020, 29 June and 13 October 2020, provides for the following types of aid, which can be granted by Member States: (i) Direct grants, equity injections, selective tax advantages and advance payments; (ii) State guarantees for loans taken by companies; (iii) Subsidised public loans to companies, including subordinated loans; (iv) Safeguards for banks that channel State aid to the real economy; (v) Public short-term export credit insurance; (vi) Support for coronavirus related research and development (R&D); (vii) Support for the construction and upscaling of testing facilities; (viii) Support for the production of products relevant to tackle the coronavirus outbreak; (ix) Targeted support in the form of deferral of tax payments and/or suspensions of social security contributions; (x) *Targeted support in the form of wage subsidies for employees*; (xi) *Targeted support in the form of equity and/or hybrid capital instruments*; (xii) Targeted support for uncovered fixed costs of companies.

The Temporary Framework will be in place until the end of June 2021. As solvency issues may materialise only at a later stage as this crisis evolves, for recapitalisation measures only the Commission has extended this period until the end of September 2021. With a view to ensuring legal certainty, the Commission will assess before those dates if it needs to be extended.

The non-confidential version of the decision will be made available under the case number SA.59188 in the [State aid register](#) on the Commission's [competition](#) website once any confidentiality issues have been resolved. New publications of State aid decisions on the internet and in the Official Journal are listed in the [State Aid Weekly e-News](#).

More information on the Temporary Framework and other action the Commission has taken to address the economic impact of the coronavirus pandemic can be found [here](#).

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