



## State aid: Commission finds new air carrier ITA is not Alitalia's economic successor and Italy's capital injections into ITA are market conform

Brussels, 10 September 2021

The European Commission has found that Italia Trasporto Aereo S.p.A. ("ITA") is not the economic successor of Alitalia and, hence, it is not liable to repay illegal State aid received by Alitalia. It also found that Italy's capital injections of €1.35 billion into the new company are in line with market conditions, and therefore do not amount to State aid under EU rules.

Executive Vice-President Margrethe **Vestager**, in charge of competition policy, said: *"Italy has demonstrated that there is a clear break between Alitalia and the new airline ITA, and that its investment in ITA is in line with terms that a private investor would have accepted. Once ITA takes off, it is for Italy and ITA's management to make use of this opportunity once and for all. And we will continue to do our part to ensure fair competition in the European aviation sector."*

### **Economic discontinuity**

In 2020, Italy established a new air carrier, ITA, which plans to take over part of Alitalia's assets and related rights. In a [separate decision](#) today, the Commission concluded that two State loans for an amount €900 million, granted by Italy to Alitalia in 2017, are illegal under EU State aid rules.

EU State aid rules provide that a new company acquiring the assets of another company is not liable for past aid received by the seller, if the two companies are sufficiently different from one another - in other words, if there is "economic discontinuity" between the two companies. Under EU State aid rules "economic discontinuity" is assessed based on a number of criteria established by the Union Courts, such as the scope of the assets transferred and the economic logic of the transaction.

The Commission concluded that, based on Italy's plan for the new company and the conditions under which certain assets will be transferred from Alitalia to ITA, there is economic discontinuity between Alitalia and ITA. As a result, ITA will not be liable for the €900 million, plus interest, that Alitalia has to repay to Italy following today's separate Commission decision.

The plan designed by Italy includes a number of elements to ensure economic discontinuity between the two companies:

- i. With respect to **aviation**, ITA will have a significantly reduced perimeter of activities. It will operate less than half of Alitalia's fleet of aircraft. It will focus on the profitable routes and drop loss-making ones. Italy has also committed that it will only use a number of Alitalia's take-off and landing slots that is commensurate to its flight capacity.
- ii. ITA will only be able to take over limited parts of Alitalia's **handling and maintenance** businesses. These businesses will be sold in open, transparent, non-discriminatory and unconditional tenders. In particular, ITA will only be able to bid for a majority stake in the ground handling business at Rome Fiumicino Airport, and it will only be able to bid for a minority stake in Alitalia's maintenance business unit.
- iii. Alitalia's **brand** will be sold in an open, transparent, non-discriminatory and unconditional tender to the highest bidder. ITA will be able to bid in competition with other bidders.
- iv. Alitalia's **loyalty programme MilleMiglia** will be sold in an open, transparent, non-discriminatory and unconditional tender, to which ITA will not be able to participate. This is to avoid direct transfers of customers between the two companies.

Similarly, ITA will not also not take over **pre-paid tickets** that passengers have already bought from Alitalia. In this respect, to avoid a negative impact on passengers and ensure they remain protected, Italy agreed to refund the prepaid tickets that Alitalia will not have honoured at the time it ceases its operations.

- v. Compared to Alitalia, ITA will have a more sustainable cost structure, in terms of **fleet and labour contracts**. It will hire a significantly reduced number of staff from the market, including from

Alitalia, but under new labour contracts, based on market conditions. It will also modernise its fleet through digitalisation and new-generation fuel-efficient aircraft.

vi. Alitalia's public service obligations (PSOs) will not be transferred to ITA. PSO contracts will be awarded on the basis of open, transparent, non-discriminatory and unconditional tenders.

vii. ITA will pay a market price for the assets it acquires from Alitalia (either directly or via tenders).

On this basis, the Commission concluded that ITA will be a different company from Alitalia and there is economic discontinuity between Alitalia and ITA. ITA will therefore not be liable to repay the illegal State aid received by Alitalia.

### **Capital injections**

As part of the present decision, the Commission also assessed whether certain capital injections by the Italian State into ITA, amounting to €1.35 billion over the next three years (of which €700 million this year), would be carried out at market conditions and therefore do not amount to State aid.

Under EU State aid rules, public interventions in favour of companies can be considered free of State aid, when the State acts not as a public authority, but on terms that a private operator would have accepted under market conditions (the market economy operator principle – “MEOP”).

The Commission found that the investment in ITA would give the Italian State a return that a private investor would also accept.

In this respect, ITA's business plan shows that ITA will be a viable airline, which will carry out a business strategy based on a reduced and profitable route network, improved cost efficiency, digitalisation and environmental sustainability through a new-generation fuel-efficient fleet, which will result in lower maintenance and fuel costs.

On this basis, the Commission found that the expected internal rate of return (IRR) of the investment in ITA would be higher than the cost of equity. This assessment was also confirmed by three independent expert reports that analysed in detail various aspects of the proposed operation.

Accordingly, the Commission concluded that the capital injections by Italy into ITA will be carried out at market terms in line with the MEOP and that, therefore, they do not constitute State aid under EU State aid rules.

A non-confidential version of the decision will be made available under case number SA.58173 in the State Aid Register on the competition website once any confidentiality issues will have been resolved. New publications of State aid decisions on the internet and in the Official Journal are listed in the [Competition Weekly e-News](#).

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