

EC looking into 190 million euro state aid in favour of TAROM

The European Commission announced today having opened an in-depth investigation to assess whether Romanian support measures in favour of the airline TAROM would be in line with EU rules on state aid to companies in difficulty, the Community Executive announced in a release.

Romania's state-owned flag carrier TAROM has been experiencing financial difficulties for years. The company has received a temporary rescue loan from the state worth approximately 36.7 million euros, after approval by the Commission under EU State aid rules in February 2020. On May 28, 2021, Romania notified to the Commission a plan for the restructuring of TAROM.

The restructuring plan sets out a package of measures for streamlining TAROM's operations, renewing its ageing fleet and reducing costs. Romania plans to support the restructuring with around 190 million euros of public funding. This support would take the form of a capital injection, a direct subsidy and a debt write-off of the rescue aid amount (approximately 36.7 million euros) and its corresponding interest.

EU State aid rules, more specifically the Commission's Guidelines on rescue and restructuring aid, enable member states to support companies in difficulty, under certain strict conditions. In particular, rescue aid may be granted for a period of up to six months. Beyond this period, either rescue aid must be reimbursed or member states must notify a restructuring plan to the Commission, for assessment under the State aid rules. In order for restructuring aid to be approved, the plan must ensure that the viability of the company can be restored without continued state support, that the company contributes sufficiently to the costs of its restructuring and that distortions of competition created by the aid are addressed through compensatory measures, including in particular structural measures.

At this stage, the Commission has doubts that the proposed restructuring plan and the aid to support it satisfy the conditions of the Guidelines.

The Commission's in-depth investigation will in particular examine: whether the proposed restructuring plan is appropriate for addressing TAROM's difficulties and for restoring its long-term viability in a reasonable time frame without continued state aid; whether TAROM or market operators would sufficiently contribute to the restructuring costs, thus ensuring that the restructuring plan does not overly rely on public funding and that the aid is proportionate; and whether appropriate measures to limit the distortions of competition created by the aid would accompany the restructuring plan.

The Commission will now investigate further to find out whether its initial concerns are confirmed. The opening of an investigation gives Romania and interested third parties the opportunity to submit comments and does not prejudice the outcome of the investigation.