WRITTEN QUESTION E-3702/01
by Jonas Sjöstedt (GUE/NGL) to the Commission

(17 January 2002)

Subject: State aid to airlines in the form of insurance guarantees

In early December 2001, the Commission advocated that Member States' temporary right to grant state aid to airlines in the form of insurance guarantees should be extended. However, some Member States, including Sweden, favoured ending such aid as soon as possible. Both Asia and Latin America have functioning insurance markets in this branch. Sweden has argued that Europe would have one, too, if the European Union were bold enough to allow it to operate.

The Commission's job is to create a smooth functioning internal market and it is therefore its job, according to Swedish Minister of Finance Ringholm, to ensure that state aid is not paid out, so that there is free competition.

What action does the Commission propose taking in the future? Will it continue to advocate that support to the airlines be extended, or will it work to develop alternatives?

Answer given by Mrs de Palacio on behalf of the Commission

(28 February 2002)

Whilst a few Member States have ended State guaranteed insurance coverage at the end of last year, most other Member States, in particular those with large airlines requesting higher cover, judge that it is not realistic to force companies back to the market at this stage, especially given the conditions offered and the very limited insurance capacity actually available. The lack of available coverage at present is further undermined by the absence of American, Japanese and most Asian airlines, who are all covered by government schemes. The American and Japanese government schemes will last until late March 2002. It seems unlikely that the market will return to more normal conditions before all these airlines are negotiating once again with their insurers. A return to the commercial insurance market, although considered desirable by the Commission as well as Member States, at present seems not possible for all carriers and an extension of public guarantee schemes until 31 March 2002 therefore seems to be acceptable. The Commission has however not yet given its formal opinion on specific cases of prolongations.

The Commission in its assessment regarding the State measures offering public guarantees to remedy the lack of a commercial offer with public intervention considers that the provisions of Article 87(2)(b) of the EC Treaty are applicable to the problems currently facing the airlines. It is of the opinion that, given their unforeseeable nature, the number of victims and the impact on the world economy, the events of 11 September 2001 were exceptional occurrences within the meaning of this article. However, the Commission needs to verify that the temporary measures taken by Member States to support airlines should not result in over-compensation for the damage suffered.

In view of the above, the Commission considers that the damage caused by the exceptional circumstances is still present. The Commission's intention is to allow public guarantees to be offered until 31 March 2002. It has imposed a strict requirement in relation to the payment of premiums, which are being adapted in the light of market developments.