

France claims EU green light for more Air France aid

4 April 2021, by Audrey Kauffmann, Benoit Toussaint



Air France already received billions in state aid and needs more as the outlook remains bleak

The French government said Sunday it has reached a deal with the European Commission allowing it to inject fresh money into flagship airline Air France, whose finances are creaking under the impact of coronavirus restrictions.

The agreement follows weeks of negotiations with the EU's executive, which must ensure that state aid does not give companies an unfair advantage.

"We have an outline agreement with European Commissioner Margrethe Vestager about new financial aid for Air France," Finance Minister Bruno Le Maire said on the RTL/LCI/Le Figaro political broadcast "Le Grand Jury".

Air France, of which the French government owns 14.3 percent, will have to give up "a certain number" of slots at Orly, Paris's second-largest airport after Charles de Gaulle, in return for the green light from Brussels, Le Maire said.

'Tough' negotiations

Air France posted a 7.1 billion euro (\$8.4 billion) loss in 2020 as its business, like that of the rest of the world's airlines, suffered from restrictions which all but grounded global air traffic.

Le Maire would not be drawn on the amount of new funds to be given Air France, saying this was part of discussions to be held with the airline, whose board needs to vote on the deal and is to meet Monday.

Le Maire said the agreement with the Commission was "very good news for Air France and for the whole French aviation sector", adding that negotiations had been "tough".

The minister declined to say how many slots at Orly Air France would have to give up, but said it would be fewer than the 24 that the Commission had initially asked for.

The French government has already given "a lot of help" to Air France to weather the Covid crisis with an initial sum of 7.0 billion euros and would "not sign a blank cheque" this time around, Le Maire said.

'Strategic'

"There are tens of thousands of jobs involved. Air France is strategic for our country," he said.

But the carrier must become more competitive and continue to reduce CO2 emissions, he said.

"The taxpayer is making an effort, and Air France must also make an effort," Le Maire added.

A European Commission spokesperson told AFP Sunday that the executive was in contact with the French government but could not "predict the timing or outcome of these contacts".

According to EU rules, the spokesperson said, any

government granting more than 250 million euros in aid to a company with "significant market power" had to propose additional measures to safeguard competition.

Any fresh capital for Air France will be scrutinised not only by the EU, but also by the carrier's competitors which want to make sure that the playing field remains level.

Ryanair is watching

Rival airline Ryanair, whose criticism of help for legacy airlines often finds a sympathetic ear at the European Commission, has lambasted previous French state aid for Air France, saying it distorts competition.

Ryanair has long railed against the support given to national champions, and is often backed by the European Commission.

Although the Irish airline lost its [legal case](#) against state aid for the French carrier—as well as for Scandinavia's SAS carrier—it has argued that any additional help should be made contingent on Air France ceding airport capacity.

Ryanair—Europe's biggest airline in terms of ridership—is also seeking to undo Germany's massive bailout of Lufthansa in the EU courts as well as schemes in Spain, the Netherlands, Denmark and Portugal.

The Air France plan comes as France faces rising deficits and debt because of a weaker economic rebound than hoped.

Growth weakens

The annual deficit, which has spiralled as President Emmanuel Macron's government tries to prop up the struggling economy with massive spending, is now expected to reach nine percent of [gross domestic product](#) (GDP) in 2021, Le Maire said.

This compares with an 8.5 percent estimate included in the government's 2021 budget plan, and a three percent deficit limit that EU members must usually respect but have swept aside as they deal

Economic growth is now likely to come in at 5.0 percent this year and not 6.0 as projected earlier, he said.

The government last week extended Covid restrictions to cover the entire country and said they would remain in place for at least a month as France undergoes a third wave of the pandemic which has seen daily new cases surge to 40,000, around double their level a month ago.

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