ESTONIAN AIR CLOSES DOWN

News / Airlines



Estonian Air has announced that it will cease business from Nov. 8 after a European Commission (EC) ruling that it received unfair state aid.

In a brief statement, the airline's management board said it had decided to cease operations following the EC decision, which demanded that the airline, which has provided services for the small Baltic state since 1991, should pay back some €85 million ($91 million) of state aid.

The decision was not unexpected and there have been reports that the Estonian government, which owns 97.34% of the carrier, will swiftly create a replacement.

In its Nov. 7 ruling, the EC said that "Following an in-depth investigation, the European Commission has concluded that aid measures by Estonia in favor of national flag carrier Estonian Air gave the company an undue advantage over its competitors in breach of EU state aid rules.

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“Estonian Air therefore needs to pay back the state aid already received, which according to the Commission’s information amounts to about €85 million plus interest, and cannot receive an additional €40 million of restructuring aid.

“Companies should compete based on a sustainable business model rather than relying on continued support by the State to stay in the market,” said Commissioner Margrethe Vestager, who handles competition policy.

“Estonian Air has repeatedly received public subsidies over the past five years but did not carry out the necessary restructuring to become viable as a business. It would not be a good use of taxpayer money to keep Estonian Air in the market artificially—nor would it be fair to competitors, which have to compete without such support.”

“[The] Estonian Air team is extremely honored to have made a valuable contribution in [the] development of Estonian tourism and economy over 24 years,” CEO Jan Palmér said. He noted that over the past year, taking on capacity provider contracts for other airlines had “proved that Estonian Air can become a sustainable and profitable regional airline. Nevertheless, the European competition authorities deemed our state aid violating the rules.”

Estonian’s fleet consists of three Bombardier CRJ900s, two CRJ700s and a single Embraer 170, which was due to leave the fleet next month.

The national carrier of neighboring Latvia, airBaltic, immediately said it would offer more flights from the Estonian capital Tallinn under its Horizon 2021 expansion scheme announced earlier this year.

The Latvian airline, which is also going through major changes, announced Nov. 6 that a German private investor is taking a 20% stake in it.

08 NOVEMBER 2015

SOURCE: ATW
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