



# Romania

## Air Transport Regulatory Competitiveness Indicators



### SUMMARY

- Air transport is a key enabler of economic activity in Romania, supporting 107,000 total jobs and contributing EUR 2.3 billion to the Romanian economy.
- Romania is the 23<sup>rd</sup> largest aviation market in Europe (measured by IATA Connectivity Index<sup>1</sup>). Air connectivity grew by 76% between 2013 and 2018. 10m passengers departed from Romania's airports in 2017.
- In order to facilitate continued growth of aviation and maximize the value of air transport, Romania should:
  1. Improve the awareness of the benefits that aviation can bring to the economy and the society. The government should take steps to enable the sustainable development of air transport and inter-modality. This includes modernization and implementation of standardized systems for better passenger facilitation as well as promotion of innovative technology and processes, EU harmonization and digitization;
  2. Develop the National Airspace Strategy in consultation with airspace users to increase capacity and improve efficiency. Act according to the National Airspace Strategy document plan to ensure successful adoption; and
  3. Ensure that further infrastructure investments, both on the ground and in the air, are cost-efficient and developed in consultation with users.

<sup>1</sup> The IATA Connectivity Index 2018 is a composite measure of number of transferred passengers weighted by a destination measure in all Romanian airports

## ABOUT AIR TRANSPORT REGULATORY COMPETITIVENESS

The Air Transport Regulatory Competitiveness Indicators (ATRCI) is a framework that measures a country's air transport regulatory competitiveness. Air transport regulatory competitiveness is defined as the set of institutions, policies, and factors that determine the economic benefits that the economy can derive from aviation.

Five key elements are defined to determine the ease of doing business and therefore influence the level of air transport regulatory competitiveness of the country. These five elements are grouped into pillars that form the ATRCI and for which performance-based assessments have been made:

**Passenger Facilitation** (visa requirements, open skies agreements, passenger information and border control processes). These measures support easier movement of persons around the globe and contribute to economic development and growth. Regulations that allow for easier and more secure movement of people and aircraft are therefore essential in unlocking the economic benefits of aviation.

**Cargo Facilitation** (trade facilitation and e-freight). These measures enhance shippers' experience by enabling the seamless cross-border movement of goods.

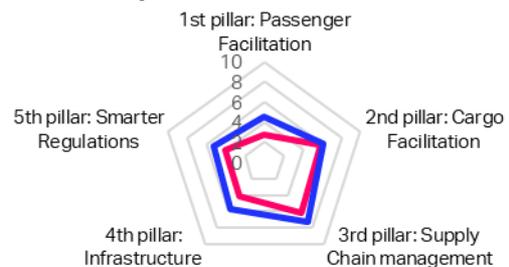
**Supply Chain Competitiveness** (airport and passenger charges and taxes, airport and air traffic management charging process, fuel supply management, labour efficiency). The competitive, transparent, and reliable supply of services to airlines creates an environment in which passenger demand can be stimulated through more affordable air fares. Effective and clear rules create a stable environment which boost economic growth.

**Infrastructure** (available runway and terminal capacity and slots). Air transport depends largely on available infrastructure and how efficiently congested infrastructure is utilized. Without sufficient capacity, airlines cannot enter the market, enhance air connectivity of the country and create seamless connections and short travel times. Effective infrastructure development and management acts as a facilitator of economic growth unlocking benefits that aviation creates.

**Smarter Regulations** (regulatory framework, legal framework, regulatory implementation). Without stable, clear and transparent regulations, airlines cannot operate effectively and offer competitive ticket prices or air freight rates. A smart regulatory environment and a comprehensive aviation policy are key drivers of positive economic change.

## PERFORMANCE OVERVIEW

Index Component	Romania	Regional average <sup>2</sup>
Air Transport Regulatory Competitiveness Index <sup>3</sup>	4.7	5.9
1 <sup>st</sup> pillar: Passenger Facilitation	2.8	4.5
2 <sup>nd</sup> pillar: Cargo Facilitation	5.8	6.2
3 <sup>rd</sup> pillar: Supply Chain management	6.1	7.2
4 <sup>th</sup> pillar: Infrastructure	4.2	5.7
5 <sup>th</sup> pillar: Smarter Regulations	4.1	5.2



The passenger facilitation (1<sup>st</sup> Pillar) represents a brake on Romanian competitiveness. While visa rules are enforced on the EU level and relatively open, Romania has not adopted innovative solutions consistently or effectively (see more on page 3). As the border is the initial point of contact for an arriving visitor to Romania, these factors are important in creating a favourable first impression.

Romania also lags behind in the Infrastructure (4<sup>th</sup> Pillar) with constrained capacity of the terminal in the main hub (see more on page 3). On the other side, given that Romania does not currently have slot coordinated or schedule facilitated airports, it is necessary for carriers to have unrestricted access to the country's airport infrastructure.

Romania has an average score for Cargo Facilitation (2<sup>nd</sup> Pillar) which indicates that there is still much to do in order to enable innovative new processes and digital transformation in air cargo and mail, for example in the field of customs and cargo security.

Supply Chain management (3<sup>rd</sup> Pillar) remains a pressing issue in spite of the relatively high score. High passenger charges and taxes inhibit competitiveness and significantly increase the cost of traveling by air to, from and within Romania (see more on page 3).

Finally, Smarter Regulations are not fully implemented in rulemaking (5<sup>th</sup> Pillar). Effective processes and practices for policy design and implementation, including stakeholder consultation and impact assessments support the creation of a competitive regulatory framework that enables the industry to grow.

<sup>2</sup> Regional average consists of scores for 16 European countries: AT, BE, DN, DE, ES, FI, FR, IT, NL, NO, PL, PT, RO, SE, CH, UK.

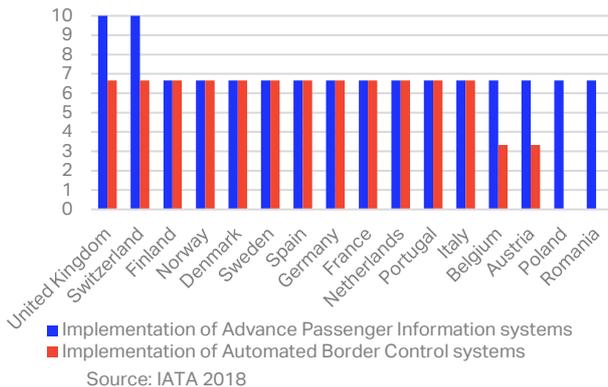
<sup>3</sup> The values for the ATCI range from 0 (worst) to 10 (best). The index consists of 5 pillars and 17 indicators and 26 sub-indicators which are

combined together using a simple average (sub-indicators are summed together to create a single value for the indicator). These aggregate values form an index score for the country.

## KEY CHALLENGES OF AIR TRANSPORT REGULATORY COMPETITIVENESS IN ROMANIA

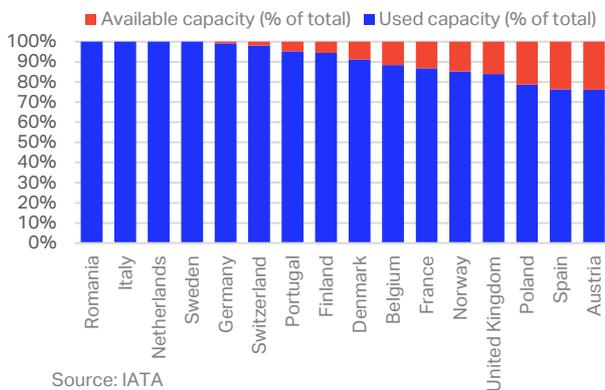
Aviation brings significant benefits to the Romanian economy. However, there are still substantial barriers to the further growth of air connectivity which would help to unlock the full economic potential of the country. The following comments provides an overview of the key challenges for Romania's air transport regulatory competitiveness.

**Chart 1. Insufficient standardization of passenger facilitation systems (maximum = 10)**



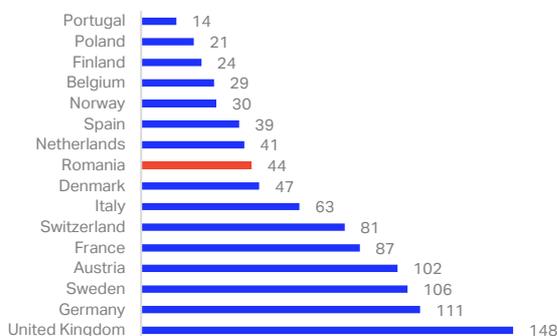
Romania has demonstrated so far, a low performance in implementation of systems for smoother movement of passengers across borders (Chart 1). As the border is the initial point of contact for an arriving visitor to Romania, these factors are important in creating a favourable first impression and possibly influencing future demand. Modernization of airports in a sustainable and efficient manner could stimulate the passenger flow and bring substantial economic and social benefits for the country, highlighting the value of aviation for Romania.

**Chart 2. Low terminal infrastructure capacity<sup>4</sup>**



Bucharest Airport, the main hub airport in Romania, has reached its terminal capacity (Chart 2). With the air connectivity growing by 76% between 2013 and 2018, Romania should utilize efficiently the current infrastructure and to ensure cost-effective airport expansion by consulting the relevant stakeholders. Furthermore, Romania should ensure efficient and non-discriminatory usage of airspace and make sure that introduction of new technology is aligned with the operational needs of the industry.

**Chart 3. Ranking of countries based on airport and passenger taxes and charges**



Source: IATA, ACIC, TTBS, IMF 2018  
Ranking ranges from 1 to 148 (lowest to highest charges)

Airport charges in Romania diminish the competitiveness of its air transport regulatory competitiveness environment. The process for setting airport charges in Romania does not reflect the fundamental ICAO principles for airport charges<sup>5</sup>. The process is not efficient, lacks transparency, and there is no information available whether airport charges are cost-related as the Civil Aviation Authority (CAA) does not set the charges framework. High charges increase the cost of air travel for passengers causing Romania to rank 9<sup>th</sup> within its regional peers based on airport and passenger charges and taxes (Chart 3). Given that the runway at the main Romania's airport is currently operating at 50% of its available capacity, lower charges could promote growth in connectivity.

<sup>4</sup> The main hub for each country: AMS, ARN, BRU, CDG, CPH, FCO, FRA, HEL, LHR, LIS, MAD, OSL, OTP, VIE, WAW, ZRH

<sup>5</sup> [ICAO's Policies on Charges for Airports and Air Navigation Services](#)

## FROM PERFORMANCE MEASURES TO RECOMMENDATIONS

Romania's current aviation strategy has an objective to increase air transport connectivity. It is important to create an environment where business can flourish, and new business opportunities are created. Romania should therefore focus on:

### 1. Promotion of innovative technology and processes, EU harmonization and digitization

The government should take steps to enable the sustainable development of air transport and inter-modality. This includes modernization and implementation of standardized systems for better passenger facilitation as well as promotion of innovative technology and processes, EU harmonization and digitization.

### 2. Infrastructure capacity

Ensure that further infrastructure investments, both on the ground and in the air, are cost-efficient and developed in consultation with users.

### 3. National Airspace Strategy

Develop National Airspace Strategy in consultation with airspace users to increase capacity and improve efficiency. Act according to the National Airspace Strategy document plan to ensure successful adoption.

In 2017, 10 million of passengers departed from Romanian airports. The robust air connectivity is an enabler of economic activity in Romania creating 107,000 jobs and contributing EUR 2.3 billion to the economy in 2016.<sup>6</sup> In the next 20 years the number of departing passengers from Romania will increase by 55%.<sup>7</sup> However, if Romania is able to implement the policies noted in this report, there is an upside potential to increase this value and ultimately deliver wide economic benefits through the higher number of jobs and contribution to GDP.

**Chart 4. Forecast scenarios for passenger traffic, jobs and GDP footprint\***

			
	Passengers	EUR GDP	Jobs
<b>2017</b>	<b>10.2 m</b>	<b>€2.3 bn</b>	<b>106,585</b>
<b>2037</b>	Current trends	€3.6 bn	110,860
	Upside	€4.5 bn	138,159
	Downside	€3 bn	92,264

\* Passengers are counted as departures, including connections. The passenger forecasts are based on the IATA 20-year passenger forecast (October 2018). Data on GDP and jobs 2017 are from Oxford Economics. GDP and jobs forecasts are from IATA Economics.

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### The aim of the ATRCI

The Air Transport Regulatory Competitiveness Index is a framework that assesses the regulatory environment across countries and how governments facilitate or inhibit growth of the air transport sector through their regulations. The framework measures a country's aviation regulatory competitiveness and offers a snapshot of where the potential gaps are in following the international best practice. It provides a guideline to build up a more efficient regulatory environment to unlock the economic benefits that aviation creates.

### Methodology

ATRCI uses both quantitative and qualitative data that are normalized to 0-to-10. Qualitative data were collated based on an objective framework. Respectively, quantitative data are used from international organizations and partner organizations. Sources: Eurocontrol, United Nations World Tourism Organization, Verisk Maplecroft, World Economic Forum. All dates relate to 2018 unless stated otherwise.

### The index structure and computation

The index contains three levels of values which are combined together applying a simple average (if not stated otherwise). From the highest to the lowest level: Index value, Pillar values, Indicator values and Sub-indicator values. At the lowest level (sub-indicator) the values are summed to create one single value for an indicator. All indicator values within a pillar are then aggregated using an arithmetic mean in order to produce the Pillar score. At the highest level of aggregation (Index value), the score of the five pillars are combined applying a simple average to create one single value for Air Transport Regulatory Competitiveness Index for each country.