# Austria

## Air Transport Regulatory Competitiveness Indicators


## SUMMARY

- Air transport is a key enabler of economic activity in Austria, supporting 95,000 total jobs and contributing EUR 7.6 billion to the Austrian economy, which is equivalent to 2.1% of Austrian GDP.
- Austria has the 16th largest aviation market in Europe. (measured by IATA Connectivity Index[1]). Air connectivity grew by 40% between 2013 and 2018 (with the highest air connectivity values coming from Austria's connection to Europe). 14m passengers departed from Austria's airports in 2017. There were 28.8 million terminal passengers.
- In order to facilitate continued growth of aviation and maximize the value of air transport, Austria should:
  1. Abolish the Air Transport Levy (Flugabgabe);
  2. Increase the cost-competitiveness and cost-relatedness of Austrian Air Traffic Control (ATC) charges, in particular Terminal Navigation Charges, which are higher than in comparable markets. Support the implementation of functioning Single European Skies (SES);
  3. Promote efficient airport charges regulation based upon the Single Till principle;
  4. Avoid introducing additional (environmental) taxes, double taxation and parallel environmental regimes. Furthermore, advocate the implementation of one global market-based measure such as Carbon Offsetting Reduction Scheme for International Aviation (CORSIA).
  5. Promote innovative technology and processes, such as remote tower control, security and border control.


[1] The IATA Connectivity Index 2018 is a composite measure of number of transferred passengers weighted by a destination measure in all Austrian 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 determinants of the ease of doing business have been identified, which contribute to the regulatory competitiveness of a country. These five determinants are the 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.

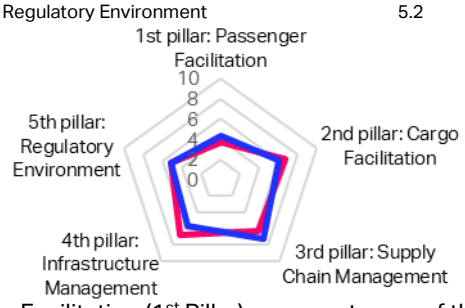
**Supply Chain Competitiveness** (airport and passenger charges and taxes, airport and air traffic management charging process, fuel supply management, labour efficiency). The competitive, transparent, and reliable supply of services to airlines creates an environment in which passenger demand can be 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.

**Regulatory Environment** (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 | Austria | Regional average[2] |
|---|---|---|
| Air Transport Regulatory Competitiveness Index[3] | **5.9** | **5.8** |
| 1st pillar: Passenger Facilitation | 3.7 | 4.4 |
| 2nd pillar: Cargo Facilitation | 6.7 | 6.1 |
| 3rd pillar: Supply Chain Management | 6.3 | 7.2 |
| 4th pillar: Infrastructure Management | 6.8 | 5.6 |
| 5th pillar: Regulatory Environment | 5.2 | 5.1 |




Passenger Facilitation (1st Pillar) represents one of the weakest points of Austria's air transport competitiveness. While visa rules are relatively open and ruled on the EU level, Austria has not aligned their innovative solutions with international best practice and recognized guidelines. Successful implementation of Automated Border Control (ABC) systems at Austrian airports would facilitate passenger flows at the major airport boosting Austria's regulatory competitiveness.

Austria's score for Supply Chain Competitiveness (3rd Pillar) is below the European average despite the halving of the Air Transport Levy in 2018. The Air Transport Levy remains a brake on further air connectivity growth by increasing the final price for passengers and reducing the attractiveness of the location for visiting carriers and hub airlines alike. Abolition of the tax is therefore key in order to achieve greater connectivity of Austrian airports. Respectively, applying charges that are not competitive among peer markets, are not cost-related and lack transparency remains a pressing issue in Austria. Austria should therefore focus on following the ICAO's guidelines[4] and making sure that cost-relatedness and transparency are met. Moreover, in spite of the reliable fuel supply management in Austria, its high cost, relative to other European hub airports, remains a problem.

With regard to Infrastructure (4th Pillar), efficient utilization of the current runway and terminal infrastructure remains a priority. On the other hand, Austria is a good example of the clear and transparent process of allocation of existing slots that are fully aligned with the World Slots Guidelines.

While Austria scores well for overall air trade facilitation, reflecting customs and border processes for airfreight, the score for e-freight facilitation is still low indicating that significant work remains to be done in order for cargo shippers to be able to benefit from increased speed and reduced costs created by e-cargo processes.

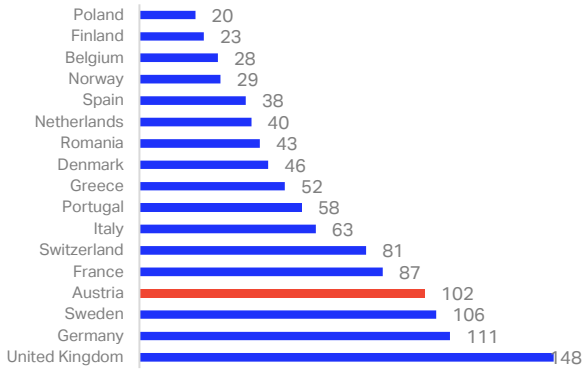
[2] Regional average consists of scores for 17 European countries: AT, BE, DN, DE, ES, FI, FR, GR, IT, NL, NO, PL, PT, RO, SE, CH, UK.
[3] The values for the ATCI range from 0 (worst) to 10 (best). The index consists of 5 pillars and 17 indicators and 26 sub-indicators which are combined together using 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.
[4] ICAO Policies on Charges for Airports and Air Navigation Services

# KEY CHALLENGES OF AIR TRANSPORT REGULATORY COMPETITIVENESS IN AUSTRIA

Aviation brings significant benefits to Austrian 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 page provides an overview of the key regulatory competitiveness challenges for Austria.

Austria is among the European countries with the highest overall airport and passenger taxes and charges (Chart 1). The Air Transport Levy hinders regulatory competitiveness of Austria, making flying from Austria more expensive for passengers.

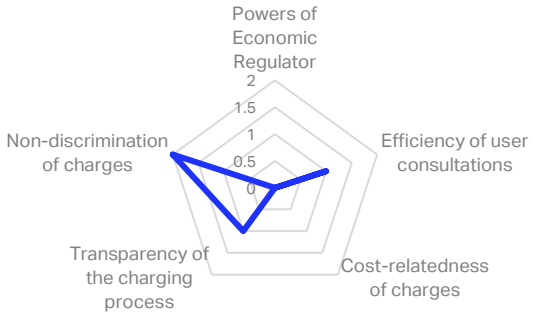
**Chart 1. Ranking of countries based on airport and passenger taxes and charges**




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

Moreover, the tax is particularly harmful to domestic passengers. Reducing the Austrian Air Transport Levy in January 2018 was the first step in the right direction. Passenger growth of 9,9% in 2018[5] and increased competition (LCCs) at Vienna airport prove that, among other factors, the cutting of the tax resulted in increased traffic. A PwC /A4E study estimates that the full abolishment of Austria's air passenger taxes would increase Austrian GDP by €320 million per year and create 1,000 new jobs by 2030[6].

**Chart 2. Ineffective airport charges process (maximum = 2)[7]**



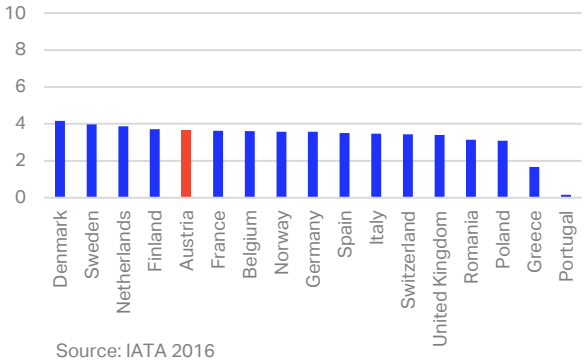

Source: IATA 2018

The charging process should be set to meet ICAO's best practice guidelines (Chart 2) to enhance Austrian regulatory competitiveness and support Vienna's airport position as a regional hub. Cost-relatedness remains the main issue with airport charges currently based on legislative requirements rather than costs.

Austria's Terminal Navigation Charges are among the highest in Europe.[8] In 2019, Austria's terminal navigation charges were 91 EUR higher (by 73%) than in Germany. A reduction of terminal navigation charges is required in order to boost the competitiveness of Austrian ATCs and has to be delivered without reducing service quality and safety standards. Another issue remains the cost-relatedness of terminal navigation charges at provincial airports that are currently cross-subsidized by charges from Vienna airport.

Considering capacity constraints in European air traffic management and considerably high delays, Austria needs to create a national airspace strategy involving all stakeholders and step up for further implementation of SES on the European level.

**Chart 3. E-freight in cargo processes (maximum = 10)**




Source: IATA 2016

Austria is within top five European peers in implementation of e-documents in cargo processes (Chart 3). It is important to further focus on digitization along supply chain and infrastructure processes which are fully harmonized with EU legislation and digital upgrades handled efficiently from shipper, agent/forwarder and airlines and all other stakeholders involved in the cargo supply chain. In order to boost competitiveness, innovative processes need to be promoted: passenger processes at airports (security and border control), Air Traffic Management (remote air traffic control towers) and granting digital licenses by local and state authorities. Austria has successfully implemented the EU and global emission trading and offsetting tools to reduce aviation carbon footprint. Any

[5] ACI Europe Air Traffic Report 2018
[6] PwC: The economic impact of air taxes in Europe Austria2017
[7] Values for the sub-indicators (0-to-2 scale) are summed together and transformed to 0-to-10 scale to create a single value for the Airport Charges Process Indicator
[8] In 2019 Austrian Terminal Navigation Charges (TNC) ranked 6th out of 28 EU countries (Eurocontrol 2019)

further regulatory implementation will burden businesses and will negatively affect the delivery of benefits that CORSIA creates.

## FROM PERFORMANCE MEASURES TO RECOMMENDATIONS

Austria's aviation strategy has an objective to increase air transport connectivity and make Austria a regional hub. In order to achieve this goal, it is important to create an environment where business flourish and attract new businesses. Austria should therefore focus on:

### 1. Airport and passenger taxes and charges

Austria should fully abolish the Austrian Air Transport Levy tax to increase Austria's competitiveness and enhance the country's air connectivity. Any future introduction of taxes will hinder their competitiveness. Austria should promote an efficient airport charges regulation based upon the Single Till principle and the implementation of a single market-based measure (CORSIA) to avoid double taxation and offsetting regimes.

### 2. Efficient use of airspace and Terminal Navigation Charges

Austria should reduce ATC charges in order to increase efficiency and competitiveness without compromising safety and productivity. Austria should promote, at European level, the implementation of SES to overcome the current capacity congestion and to foster cost efficiency.

### 3. Innovative technology and processes, EU harmonization and digitalization

Air transport infrastructure processes should be aligned with EU legislation and upgraded by digital innovation. This applies to both passengers, facilitation systems, air cargo and processes along the logistics.

Austria should also promote the development and deployment of sustainable aviation fuels by allocating state funding into research and development.

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

| | | Passengers | EUR GDP | Jobs |
|---|---|---|---|---|
| 2017 | | 14 m | €7.6 bn | 94,617 |
| 2037 | Current trends | 20 m | €10.5 bn | 100,280 |
| | Upside | 21 m | €11.4 bn | 108,716 |
| | Downside | 17 m | €9.1 bn | 86,995 |

*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 are from Oxford Economics. GDP and jobs forecasts are from IATA Economics.

In 2017, 14 million passengers departed from Austria's airports[9]. There were 28.8 million terminal passengers[10]. The robust air connectivity is an enabler of economic activity in Austria creating 95,000 jobs and supporting EUR 7.6 billion to the economy in 2016.[11] In the next 20 years the number of departing passengers from Austria will increase by 39%.[12] However, if Austria 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.

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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.

[9] SRS Analyzer 2017
[10] ACI 2017. Departing passengers includes passengers connecting through Greece and terminal passengers includes both arrivals and departures.
[11] ATAG 2018
[12] Oxford Economics 2017