

Dear Sirs,

On behalf of the International Air Transport Association's 240 member airlines representing 84% of total air traffic, I am writing to you in response to the consultation to express our concern with the Austrian Air Travel Levy – AATL (Flugabgabe).

IATA was pleased to hear of the small reduction in the tax rates as of January 2013, but this is simply not enough. The proposed tax reduction is an obvious recognition that the levy is affecting the competitiveness of Austrian aviation. Therefore, the logic must be to remove it altogether. We believe that there are compelling reasons to do so in order to support a positive and sustainable development of the Austrian national economy.

In our view, the AATL is in direct conflict with the declaration in the G20 Communiqué of 19 June that stated: *"We recognize the role of travel and tourism as a vehicle for job creation, economic growth and development, and, while recognizing the sovereign right of States to control the entry of foreign nationals, we will work together towards developing travel facilitation initiatives in support of job creation, quality work, poverty reduction and global growth."*

Air transport is a major contributor to global economic prosperity generally and to the Austrian national economy. A recent study by Oxford Economics, which will be officially published on 24.09.2012 in Vienna, reports that aviation in Austria supports 1.7% of GDP and over 75,000 jobs. The gross value added of direct, indirect and induced contribution to Austria's economy is above € 4.6 billion. In addition, Austrian residents and shippers get about € 2 billion a year in consumer benefit from the Austrian air transport system.

One of the critical economic benefits from better air links relates to impacts on the long-term performance on the wider economy. Statistical studies have shown that better air links can improve overall productivity in the economy – a 10% improvement in the number and quality of air links, relative to a country's economic size, will boost productivity by 0.07%. So in the case of Austria, enhancing the quantity and improving the quality of air connections by 10% will increase long run GDP by € 175 million per annum.

The AATL has a negative impact on the competitiveness of Austrian airports. It is a disincentive to flying from Austria and has likely led to passengers using other neighboring airports. Experience from a similar tax levied in Germany suggests that there may be a diversion of travelers away from Austrian airports. Austria has, over the years, successfully established itself as a gateway to Central and Eastern Europe, however, this tax erodes this strategic position. The result will undoubtedly lead to reduced overall competitiveness of the Austrian economy, lower consumer benefits, and more adverse environmental consequences as a result of higher climate impacts from longer journeys. The Dutch Government abolished a similar air passenger tax after detailed consultations revealed that the tax was a source of competitive disadvantage.

The AATL has a bigger adverse impact on those carriers that have a higher portion of their operations flying in and out of Austria, particularly network carriers with hub operations in Austria - hence the welfare of Austria's national carriers is seriously at stake. Austrian carriers offer 60% of capacity in the Austrian air transport market. They carry over one third of all passengers originating in Austria and bear approximately a similar share of the AATL cost burden.

The current proposal is to reduce by 25% the AATL (from € 20 to € 15) for medium haul destinations. We repeat IATA's opinion that the abolishment of the tax would be beneficial for the national economy. However, if, as an immediate measure, this relative reduction of 25% was also applied to the long-haul destinations (from € 35 to € 26.25) there would be significant positive benefits to the Austrian economy. We estimate that it would lead to round trip travel costs to and from Austria to be reduced on average by 0.2% which will lead to an increase in international passengers by about 0.2% (or approximately forty thousand passengers). For the calendar year following the reduction we estimate that the reduction by 25% in the long-haul tax along would have the following impacts:

- GDP increasing by about € 8.4 million;
- 130 jobs created Other tax receipts higher by about € 3.7 million.

In addition, we estimate that there would be a benefit in consumer surplus of about € 13 million as well as positive impacts in wage income in the Austrian economy.

IATA estimates that the complete withdrawal of the tax would have positive impacts on the Austrian economy. Round trip travel costs to and from Austria will be reduced on average by about 2.5% which will lead to an increase in international passengers by about 2.7%. For the calendar year following the withdrawal (with sustained positive impacts in subsequent years) we estimate the following impacts:

- GDP increasing by about € 106 million;
- 1,700 jobs created;
- Other tax receipts higher by about € 48 million.

Additionally, we estimate that there will be a benefit in consumer surplus of about € 175 million as well as positive impacts in wage income in the Austrian economy.

In conclusion, I ask you to please take firm and early action to withdraw the Austrian Air Travel Levy. IATA is ready to provide its support and expertise as necessary – please do not hesitate to contact us if we can be of any assistance and keep us informed on any decisions made.

Yours sincerely,

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