Greece

Air Transport Regulatory Competitiveness Indicators

SUMMARY

- Air transport is a key enabler of economic activity in Greece, supporting 457,000 jobs and contributing EUR 17.8 billion to the Greek economy, which is equivalent to 10,2% of Greek GDP[1].
- Greece has the 8th largest aviation market in Europe (measured by the IATA Connectivity Index[2]). Air connectivity grew by 106% between 2013 and 2018. In 2017, 25.5m passengers and 73,000 Freight Tonnes departed from Greek airports. There were 58 million terminal passengers.
- In order to facilitate the continued growth of aviation and maximize the benefits of air transport, Greece should:
    1. Ensure airspace and the associated infrastructure is modernized through a structured plan of capital investments, to guarantee the long-term viability of the entire Air Traffic Management (ATM) system. This should also be accompanied by a comprehensive Air Traffic Controller Officers (ATCO) recruitment and training programme, to positively influence the capacity issues in Greek airports;
    2. Ensure that airport charges are cost based and cost effective for airlines and passengers. Charges consultations should be meaningful and transparent and appropriate regulation should be enforced even on existing airport concessions. However, Greece should ensure that existing frameworks restricting the power and mandate of the independent regulator should be reviewed; and
    3. Greece should also address the capacity utilization of terminals and runway in order to accommodate the future growth of passengers.

[1] World Bank 2016

[2] The IATA Connectivity Index 2018 is a composite measure of the number of passengers transferred weighted by a destination measure.

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.

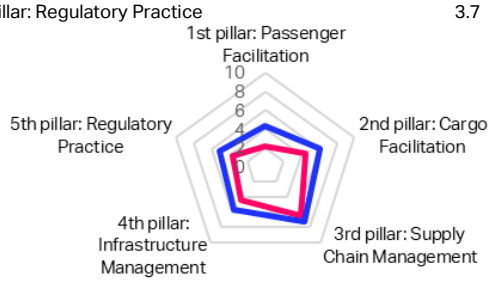
Supply Chain Competitiveness (airport and passenger charges and taxes, airport and air traffic management charging process, fuel supply management, labour efficiency). The competitive, transparent, and reliable supply of services to airlines creates an environment in which passenger demand can be stimulated 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 Practice (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	Greece	Regional average[3]
Air Transport Regulatory Competitiveness Index[4]	**4.5**	**5.8**
1st pillar: Passenger Facilitation	2.2	4.4
2nd pillar: Cargo Facilitation	4.5	6.1
3rd pillar: Supply Chain Management	6.4	7.2
4th pillar: Infrastructure Management	4.5	5.6
5th pillar: Regulatory Practice	3.7	5.1



Passenger Facilitation (1st Pillar) is the lowest point of the Greek air transport regulatory competitiveness. Restrictive EU Visa rules remain an issue resulting in a lengthy visa application process for non-EU citizens. Greece should keep working with the industry on the implementation of standard passenger data programmes and efficient border control systems which provide passengers with an enhanced experience while facilitating and improving passenger flows at airports.

Greece scores below the European average for overall **Cargo Facilitation** (2nd Pillar), reflecting customs and border processes for air freight. In particular, there is significant scope to improve e-freight facilitation so that cargo shippers can benefit from existing e-cargo processes. An important element of e-cargo is the use of e-Air Waybill (eAWB), which is still low in Greece. The eAWB allows airlines to run the entirety of transactions electronically and greatly improves the flow of goods across borders. Greece should focus its efforts on supporting the use of eAWB as a first step to adopt digitalization and the eFreight concept.

Supply Chain Management (3rd Pillar) remains a challenge in Greece. High passenger charges and taxes increase the cost of traveling by air to, from and within Greece (see more on page 3).

Greece also lags behind its peers on **Infrastructure Management** (4th Pillar) with high capacity utilization of both runway and terminals requiring terminal expansion and airfield operational improvements in the near future. If left unaddressed, this can inhibit passenger growth and, in turn, tourism in Greece. Greece should ensure efficient investment and use of current infrastructure to allow costs and charges to be reduced.

The Regulatory Practice (5th Pillar) is one of the weakest points of Greek air transport regulatory competitiveness. This is in particular due to EU Regulation 261 that applies in Greece and is inconsistent with the Better Regulation Principles[5] that underpin a favourable operating

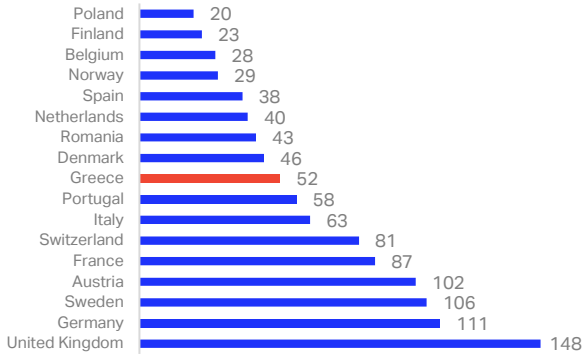
[3] Regional average consists of scores for 16 European countries: AT, BE, DN, DE, ES, FI, FR, GR, IT, NL, NO, PL, PT, RO, SE, CH, UK.
[4] The values for the ATCI range from 0 (worst) to 10 (best). The index consists of 5 pillars and 17 indicators and 26 sub-indicators which are combined together using 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.
[5] IATA Policy Design Principles

environment. The proportionality of EU261 is questionable and it applies not only to intra-EU flights but also to flights where carriers may be subject to overlapping regulatory requirements at the other end of the route. National and EU regulation should be consistent with the Montreal Convention 1999 (MC99) in order to create a stable regulatory environment benefiting passengers. Moreover, Greece has not ratified all the international treaties that create a stable legal framework.

KEY CHALLENGES OF AIR TRANSPORT REGULATORY COMPETITIVENESS IN GREECE

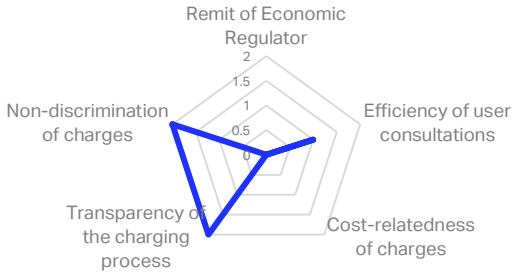
Aviation brings significant benefits to the Greek economy. However, there are still substantial barriers to the further growth of air connectivity which would unlock economic potential of the country. The following page provides an overview of the key challenges of Greece's air transport regulatory competitiveness.

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



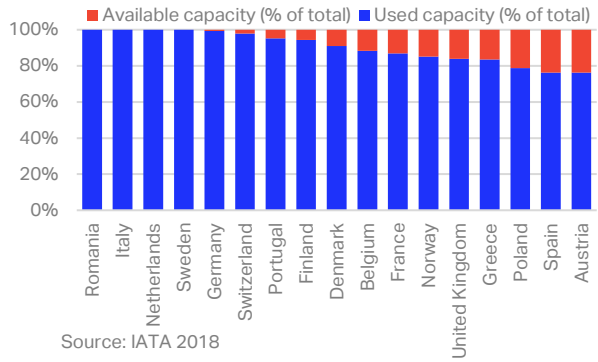
Source: IATA, ACIC, TTBS, IMF 2018
Ranking ranges from 1 to 148 (lowest to highest charges

Chart 2. Airport Charges Process (maximum = 2)[6]



Source: IATA 2018

Chart 3. Low terminal infrastructure capacity



Source: IATA 2018

Passenger charges and taxes represent a brake on air connectivity growth making flying to and from Greece more expensive and less attractive for tourists. Current airport and passenger charges and taxes are relatively high (Chart1). According to a recent study by PwC, abolishing aviation taxes in Europe would boost European GDP by EUR 215 billion by 2030 and create 110,000 new jobs.[7]

The process of setting airport charges represents another brake on further growth of air connectivity. Greece should strengthen the remit of the APA as an economic regulator especially ensuring concession contracts do not restrict the powers of the regulator to intervene. As several airports enter a phase that could involve investment, the consultation process on investments and the subsequent impacts on airport and air navigation charges needs to involve the relevant stakeholders early in the process. Moreover, airport charges include high concession fees, and are not set based on sound economic regulatory principles but on the basis of concession agreements. Greece is currently considering the privatization of additional airports which underlines the importance of an independent regulator with strong powers and the mandate to define the appropriate level of regulation.

There has been a recent improvement in the runway and terminal infrastructure capacity of some airports in Greece, which has caused a spur in air connectivity. The air connectivity of Athens airport has highly increased thanks to some available capacity. (IATA Connectivity Index score for Greece has increased by 106%). Greece should ensure quick and cost-effective airport expansion by consulting the relevant stakeholders to accommodate a further growth in passenger demand.

[6] 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.

[7] PwC. The economic impact of air taxes in Europe European Economic Area. 2017

FROM PERFORMANCE MEASURES TO RECOMMENDATIONS

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

1. Airport and passenger charges and charging process

Greece should ensure that airport charges are truly cost related and an empowered regulator is in place to protect users and consumers. Greece should focus on the completion of this important process, given the ongoing privatization process of additional Greek airports. With fair regulation that balances the needs of stakeholders, Greece should seek to improve the cost efficiency of airports and prevent abusive pricing.

2. Airspace modernization and infrastructure modernization through implementation of planned capital programmes.

Greece should further pursue airspace and system modernisation, which will help improve performance and reduce delays during the summer period. Between 2015-2017, capital expenditure was practically non-existent. Currently the actual asset base is about 87% below the agreed performance plan and, there is also a need for additional Air Traffic Controllers to serve congested airports.

3. Efficient use of the new infrastructure

Greece should ensure that the new terminal and runway infrastructure will be developed as planned to meet future increase in passenger demand. In addition, there should be effective consultation with airline users to ensure that the infrastructure efficiently meets their requirements and is affordable to develop and operate

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

		Passengers	EUR GDP	Jobs
2017		25.5 m	€17.8 bn	456,581
2037	Current trends	34 m	€23.8 bn	445,883
	Upside	36 m	€25.3 bn	475,148
	Downside	30 m	€20.9 bn	390,931

* 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, 25.5 million passengers departed from Greek airports[8]. There were 58 million terminal passengers[9]. The robust air connectivity is an enabler of economic activity in Greece supporting almost 457,000 jobs and EUR 17.8 billion in 2016.[10] In the next 20 years the number of departing passengers from Greece is forecast to increase by 33.1%.[11] However, if Greece is able to implement the policies noted in this report, there is an upside potential to substantially increase this value and ultimately deliver even wider economic benefits through a larger number of jobs and support 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.

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