

AUSTRIA AND OTHER EUROPEAN DESTINATIONS IN LOW-PRICE TRAP



European countries are currently experiencing a slight tourism industry boom, however some problems become more and more obvious. One of them could be called the low-price trap.

For example, in Austria, despite the increasing number of overnight stays, many Austrian travel and hospitality providers are facing existential problems. ÖHV (Austrian Association of Hoteliers) boss Michaela Reitterer sees **the core of the industry's problem in low-price tourism.**

There are two sides of the current tourism situation in Europe. Official bodies are celebrating an increase in the number of overnight stays and sale increases. However, the industry representatives see the situation somewhat differently.

"The registration record was achieved with cheap offers," says Michaela Reitterer, President of the Austrian Association of Hoteliers (ÖHV). This could also be seen in the figures. Overnight stays increased by 4.2%, but the turnover increased by only 1.7%. This signifies a reduction in the revenue per overnight stay and a shift towards more favorable offers.

"Tourists are saving money, the crisis is still in their minds," says Reitterer. Last year, the industry did not deserve the tax increases adopted by the government or any other cost increases, such as those for investment or new employees.

Petra Nocker-Schwarzenbacher, Tourism Federal division chairwoman of the WKO, warned in March that many Austrian tourism companies are faced with problems of existence in spite of the records of overnight stays. She sees the VAT (tax for overnight stays) increase as well as the prolongation of depreciation periods as the main aspects responsible for this.

In Austria, the VAT for overnight stays was increased from ten to 13 percent with the tax reform in 2016. In neighboring countries, rates are significantly lower. In Italy, tourism companies have to pay about ten percent, in Germany seven percent and in Switzerland only 3.8%.

The extension of the depreciation period of buildings to 40 years is also criticized. Although there is currently some relief from the low interest rates, the long depreciation period costs the tourism industry a total of 150 million euros, Nocker-Schwarzenbacher predicts.

Peter Voithofer, Director of SME Research Austria, criticized the four-decade-long depreciation period as "life-threatening", as practically no building remained unchanged for four decades.

According to ÖHV CEO Reitterer, the increase in the subsidized investment volume of the industry by 63 percent is not a reason for an overly positive mood. In fact, these investments were even below the value of ten years ago. Only in 2013 and 2015 less was invested. "Those who hide these facts will draw wrong conclusions," Reitterer warns.

There are, however, other reasons for the price pressure in the industry. **For example, the**

numerous online comparison portals and mediation platforms, which are offering prices far below the official tariffs. For around one third of the accommodation companies, the registration obligation, smoking laws and obligation to accessibility also cause financial problems.

“We have to get away from over-regulation, burdens and over-assessing indicators such as the development of overnight stays. The core value of a future-oriented tourism policy must be added value,” Reiterrer concluded.

Date: 2017-06-05

Article link:

<http://www.tourism-review.com/low-price-trap-is-the-new-trouble-of-austrian-hotels-news5423>