

# AUSTRIAN TOURISM INDUSTRY NEEDS CHANGES DESPITE RECENT SUCCESSES



The summer season has given Austrian tourism the best result in 25 years. The country has once again proved that it is a magnet for holidaymakers from all over the world. Austrians themselves appreciate the safety of the Alpine republic and its beauties and are increasingly holidaying in their own country.

Statistic Austria reported 35.93 million overnight stays from May to July. This is a 4.4% increase. In the case of non-residents, there was an increase of 1.5% compared to the same period last year. Other than that, **Austrian tourism industry is also an important economical factor – it accounts for 15% of the country's GDP and provides half a million jobs.**

For the industry, this is an occasion to reaffirm its demands for a better framework, since “the increase in overnight stays and revenue growth have nothing to do with the profitability of companies,” says Petra Nocker–Schwarzenbacher, CEO of the Chamber of Commerce. The Austrian tourism sector could be even more buoyant if some decisive factors change in the framework.

## **Tax Difficulties**

In 2016, the Ministry of Finance raised the VAT rate to 10–13 percent. EUR 200 million have since flowed into the budget. However, the companies did not get a big portion of this amount. Finance Minister Hans Jörg Schelling pointed out not long ago that from this point of view withdrawal of some of the funds is “okay” and “makes sense to strengthen the tourism location”. These are some encouraging statements, though it remains to be seen whether some improvements arrive.

Improvements are really necessary in this sense. Despite positive numbers, balance sheets of companies do not show such a rosy picture. Nocker–Schwarzenbacher suggests that around 50% of them are in red figures. Two–star hotels are particularly concerned. This is the only category that has to cope with overnight stays of six percent this summer.

## **Outdated Financing**

Wolfgang Kleemann, Managing Director of the Tourism Bank (ÖHT) also pointed out an issue about federal subsidies and the financing of the industry. “They pass the market and are outdated. They have no money for investment and customers are staying off. Especially in times of growing competition from innovations such as Airbnb,” Kleemann said.

Kleemann thus calls for a tax relief to enable a company to be closed down or replaced by a successor. At present there are well-run, flourishing companies who, however, have difficulties to find a successor. Currently 12,000 Austrian companies are looking for successors.

Other tourism and banking experts also see a further problem in the field of bank financing for investment in the Austrian tourism industry. The industry needs a lot of money to keep up with growing digitalization and increasing demands of guests. “Banks are swimming in money, but they give us loans only because we are behind them. Tourism is a difficult clientele for banks, the image is not good,” Kleemann added.

### **Prospects for the Future**

As the other sectors, tourism has to deal with advancing digitalization. “The situation is particularly challenging for the industry with its small space and in times of generally tight budgets,” says Petra Stolba, CEO of Österreich Werbung (ÖW). She promises to “support the industry in this transformation.

The goal should be to regain data integrity of corporations and media agencies, as data is “the gold of the future”. In cooperation with all stakeholders, Stolba wants to create a “tourism data hub”. “Only together we will create the relevant data sets and thus secure the business of tomorrow,” she concluded.

### **Vienna Not Overcrowded**

Norbert Kettner has completely different worries. The head of WienTourismus has been writing successful stories for years and has been constantly increasing the number of guests. Even now, within the framework of the first summer season, Kettner is again at the forefront. **The arrivals in the city grew by 2.7% compared to last year.** In other words, from May to July almost two million guests were in the city. “We are not yet crowded like other cities, but we have to be responsible and take the population into account,” Kettner said.

So-called “destination management” is important if you do not want to become like Venice or Barcelona. According to a survey, 90% of the Viennese are not disturbed by tourists as of now.

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