

## Issues that fall within the competence of the Ministry of Infrastructure and Transport

(October 2019)

According to the latest figures, Tourism has directly contributed to the generation of 11.7% of the country's GDP with EUR 21.6 billion (inbound tourism, domestic tourism, cruise revenues, air and sea transport and investments), while, in total (directly and indirectly), it has contributed from 25.7% (EUR 47.4 billion) to 30.9% (EUR 57.1 billion) of GDP.

However, challenges remain strong. Since 2018, the broader economic environment and the prospects in European countries have deteriorated, international competition has grown more intense and the tourism sector has high expectations.

Greece needs proposals, solutions and a plan that will clearly and realistically define the actions that will lead to a long, steady and sustainable growth path.

The aim is to gradually enter a new cycle whose main characteristic shall consist in maturity, since the tourism product –which largely depends on each destination– is what will define the course of the sector.

In this context, **the cooperation of all competent Ministries –as well as the Local Government– in the management and operation of destinations is an absolute prerequisite for tourism.**

Following are the major issues which fall within the competence of the Ministry of Infrastructure and Transport and which are critical to the tourism sector:

### 1. Tourism quality and public works| Public investments

The operation of destinations is closely interlinked with core infrastructures (energy, water supply, sewerage) and transport projects (airports, ports, road network – including signage) which primarily concern us all as citizens of Greece, but which also concern tourists.

Throughout the crisis, the private sector significantly invested in tourism development, contributing to the country's economy at a time when public investments were insufficient\*, with the latter clearly generating the risk of downgrading the tourism product and the local residents' standard of living. Especially in tourist areas, public investment planning ought to take into account tourism figures, invariably with a view to contributing to the sustainable development of destinations.

*\* Let it be noted that SETE's strategic plan for tourism in 2015 envisaged investments in public and private infrastructures amounting to a total of EUR 6.5 billion (EUR 1.1 billion annually) until 2021, in order to achieve the goal of 35 million arrivals and EUR 20 billion in revenues. Today, however, despite the fact that the arrival and revenue goals have almost been attained and private investments have largely responded to the increasing demand, public investments remain below target.*

## 2. Competitiveness of air transport and infrastructures

- **VAT on air transport | passenger transport**

Starting in 2015, a high VAT rate of 24% was imposed on passenger transport (sea, bus, train, metro, air travel), when the corresponding rate in Southern Europe is around 9% on average.

**Table 1: VAT Rates – Domestic Passenger Transport**

Country	VAT Rate
Greece	<b>24%</b>
Spain	10%
Portugal	6%
France	10%
Italy	10%
<b>Southern Europe Average</b>	<b>9%</b>
<b>EU Average</b>	<b>12%</b>

- **Competitiveness of airport charges and operation**

- Despite the reductions in charges that have already been brought about at the Athens airport following the extension of the concession agreement, their further adjustment should be considered, in line with the charges of other international airports in southern Europe and in other areas.

- Regarding the Kasteli airport charges, these should be specified in the agreement, pending the project's presentation and the pertinent commitment on the part of the competent Ministry and the Concessionaire.

- Appropriate returns should be ensured on charges / taxes paid by passengers and air carriers –at least in terms of cleanliness, speed / quality of security and minor repairs– at the state airport of Heraklion and the 23 regional airports which are not under a concession agreement.

The same should also apply in sea transport towards the benefit of the operation of the country's ports.

- **Immediate response to air navigation and Civil Aviation Authority Issues**

- 2019 has been the worst year in terms of flight delays, especially during peak season, with significant damage to the country's image and tourism.
- In order to avoid such issues being repeated in 2020, the following points are crucial:
  - o Institutional interventions and a positive approach to the organization and management of the Authority that will ensure adequacy and efficiency for 2-4 years.
  - o Actions pertaining to immediate staffing and organization.
  - o Substantial "Commitment for 2020" at a meeting of entities / Civil Aviation Authority / Auditors / Ministry in order to jointly decide about the necessary actions.

### **3. Concessions**

The experience from the regional airports which are already under a concession agreement points to the need for similar solutions to be found for the other 23 airports currently not on concession.

### **4. Quality of services in the operation of airports – Ground handling service issues**

- **Tenders (8 regional airports by the Civil Aviation Authority and 15 "marginal" airports)**

Issues pertaining to pending tenders for ground handling services should be addressed with a view to better passenger service.

- **Flexibility in the process of collecting the Airport Modernization and Development Tax**

Joint ministerial decisions of the Ministry of Finance and the Ministry of Infrastructure and Transport require the payment of the Airport Modernization and Development Tax before the departure of any aircraft. In practical terms, this poses difficulties and is impossible to implement, while it further entails the risk of delaying flight departures. As an alternative, it has been suggested that a fixed monthly advance payment be made to cover the respective number of flights or that a letter of guarantee be submitted.

### **5. Re-evaluation of the entire operational framework of Chauffeur Service**

- **More substantial market deregulation**

Chauffeur Service is an available tourism product in constant high demand by visitors in our country. Since this is a service that we choose to provide to tourists, it should be regulated accordingly. The existing framework causes distortion that does not encourage the service's proper operation and growth.

- **Driving license requirement**

An overall re-evaluation of the regulation should be undertaken and explanatory instructions should be provided about the recognition of the International Driving License, especially for visitors coming to Greece from destinations such as the USA, Canada, China and Australia.

## **6. Tour coaches**

In order to definitively resolve outstanding issues, tour coaches should be entirely brought under the competence of the Ministry of Transport, as now they are caught between the two jointly competent ministries (Ministry of Transport and Ministry of Tourism) and conflicting policies often hamper decision making.

## **7. Climate change and potential impact on tourism**

The imposition of a green tax is mainly driven by northern countries and has predictable consequences on southern countries for which tourism constitutes a key activity. Taking this into account, alliances should be sought at a European level in order to mitigate the impact as much as possible.