



Netherlands

Air Transport Regulatory Competitiveness Indicators



SUMMARY

- Air transport is a key enabler of economic activity in the Netherlands, supporting 306,000 jobs and EUR 22.4 billion to the Dutch economy, which is equivalent to 3.2% of Dutch GDP.¹
- The Netherlands has the 9th highest level of air connectivity in Europe (measured by the IATA Connectivity Index²). Air connectivity grew by 36% between 2013 and 2018. 36 million passengers departed from airports in the Netherlands in 2017. There were 76.2 million terminal passengers.
- In order to facilitate the continued growth of aviation and maximize the value of air transport, the Netherlands should:
 1. Provide details on the recently announced moderate increase of the cap on aircraft movements and make sure the cost-efficient expansion of major airports is delivered in consultation with users;
 2. Foster the implementation of the existing Carbon Offsetting Reduction Scheme for International Aviation (CORSIA) as an effective tool to mitigate CO2 emissions and avoid introducing new environmental taxes on aviation; and
 3. Continue to maintain a slot allocation policy in line with the EU Slot Regulation and the international best practices.

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 in all the airports.

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.

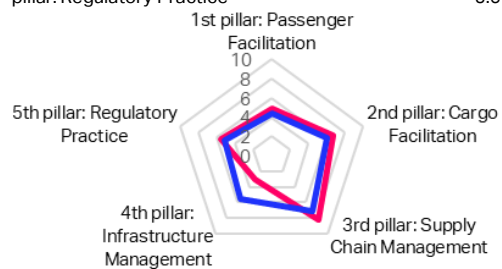
Supply Chain Competitiveness (airport and passenger charges and taxes, airport and air traffic management charging process, fuel supply management, labour efficiency). The competitive, transparent, and reliable supply of services to airlines creates an environment in which passenger demand can be stimulated through more affordable air fares. Effective and clear rules create a stable environment which boosts 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	Netherlands	Regional average ³
Air Transport Regulatory Competitiveness Index ⁴	5.7	5.8
1 st pillar: Passenger Facilitation	4.9	4.4
2 nd pillar: Cargo Facilitation	6.7	6.1
3 rd pillar: Supply Chain Management	8.3	7.2
4 th pillar: Infrastructure Management	3.0	5.6
5 th pillar: Regulatory Practice	5.6	5.1



Infrastructure (4th Pillar) remains the weakest point of Dutch regulatory competitiveness with scarce capacity of runway at the major airport, limited by the annual cap on aircraft movements. In addition, there is room to further strengthen the role of the independent slot coordinator to ensure scarce capacity continues to be allocated in line with EU Slot Regulation, the international best practices and the Worldwide Slot Guidelines. .

The Netherlands scores above the European average for Passenger Facilitation (1st Pillar). European Union visa rules are strict and represent a brake on smooth passenger facilitation. However, the Netherlands has adopted eGates and Advance Passenger Information (API) systems mandatory for all extra-Schengen flights that is aligned with international best practise. Furthermore, the Netherlands has adopted several innovative solutions at its major hub – Amsterdam Schiphol - to improve passenger experience. As border control checks are the first interaction of an arriving visitor with the Netherlands, these factors are important in creating a positive first impression.

There is some room for improvement in the Regulatory Environment in the Netherlands (5th Pillar). Effective and inclusive processes and practices for policy design and implementation, including stakeholder consultations and impact assessments support the creation of a competitive regulatory environment that enables the business to grow. The Netherlands scores higher than its regional peers, however, similar to other EU member states, the implementation of EU Regulation 261/2004 decreases its attractiveness.

The Netherlands scores better than the European average for Cargo Facilitation (2nd Pillar), which shows that its customs and border processes for airfreight and the use of e-documents is among the most advanced in Europe.

The Netherlands' score for Supply Chain Management (3rd Pillar) is above the European average, however there

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

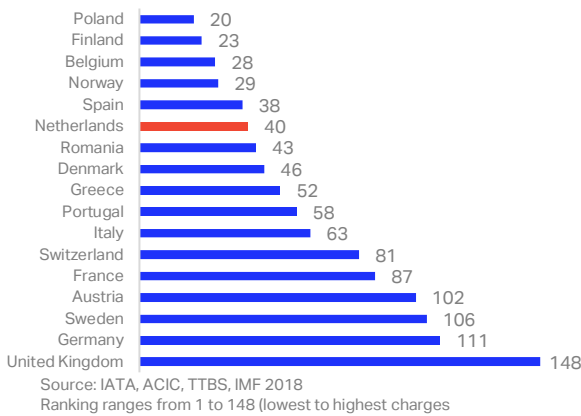
combined together using a simple average (sub-indicators are summed together to create a single value for the indicator). These aggregate values form an index score for the country.

remains some room for improvement in the area of airport charges (see more below).

KEY CHALLENGES OF AIR TRANSPORT REGULATORY COMPETITIVENESS IN THE NETHERLANDS

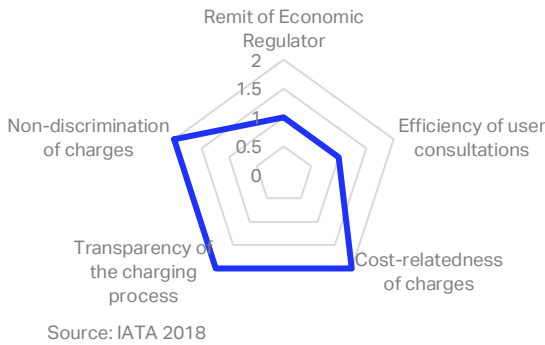
Aviation brings significant benefits to the Dutch economy. However, there are still substantial barriers to the further growth of air connectivity. Lowering these barriers would help to unlock further economic potential of the country.

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



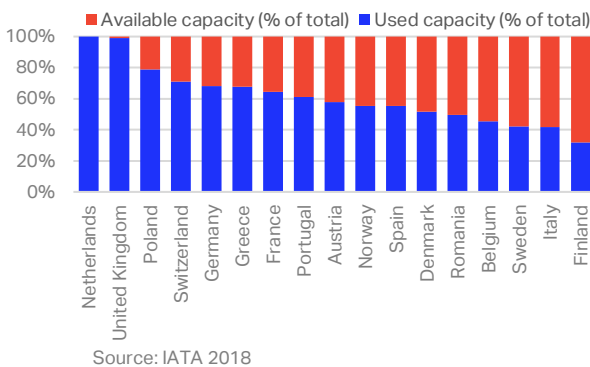
In 2018, the Netherlands had the 40th lowest airport charges and ticket taxes out of 148 countries (Chart 1). However, airport charges increased significantly in April 2019, which will likely impact the country's position in this ranking in the future. The recent increase of charges is the combined effect of changes to the movement cap, the planned level of investments, and the airport charging till model. In order to avoid further increase in charges, the Netherlands should therefore focus on addressing these issues. Moreover, the Netherlands is planning to introduce a new aviation tax. Such a tax would represent an additional cost for passengers, making the Netherlands more expensive and less attractive as a destination for both tourists and business travellers. According to a study conducted by SEO in 2012, the introduction of an aviation tax could lead to the elimination of 37,500 jobs⁷ with a very limited if not negative impact on environment. In order to increase the economic benefits that air transport creates in the Dutch economy, it is important that no new domestic taxes are introduced, which would jeopardise the Netherlands' regulatory competitiveness in the future and position the Netherlands further below its regional peers (and, if such tax occur, it must be integrally invested in environmental project). A more effective way of mitigating carbon emissions would be to foster the implementation of the CORSIA initiative and to promote the availability and uptake of renewable aviation fuels.

Chart 2. Airport charges process (maximum = 2)⁵



The Netherlands could improve the process for setting airport charges. This mainly concerns the relatively narrow remit of the regulator and the efficiency of user consultations (Chart 2). For instance, the airport regulator's remit is limited as it is not empowered to assess the cost efficiency of charges.

Chart 3. Low runway infrastructure capacity⁶



The main airport, Amsterdam Schiphol, has reached its imposed capacity cap (Chart 3). Capacity congestion of both runway and terminal causes delays. This not only acts as a brake on the development of new connectivity and economic growth, but also means that there is little operational resilience to recover from delays or disruption. Decisive action is required to appropriately increase the cap of aircraft movements and expand the airport in consultation with users.

Moreover, the process for allocating slots (part of the Infrastructure pillar) could be improved. The airport

⁵ Values for the sub-indicators (0-to-1 scale) are summed together and transformed to 0-to-10 scale to create a single value for the Airport Charges Process Indicator.

⁶ The main hub for each country: AMS, ARN, ATH, BRU, CDG, CPH, FCO, FRA, HEL, LHR, LIS, MAD, OSL, OTP, VIE, WAW, ZRH

⁷ SEO 2012

regulator should ensure effective consultation on airport capacity review and declaration and continue to maintain a slot allocation policy in line with the EU Slot regulation,

the international best practices and the Worldwide Slot Guidelines.⁸

FROM PERFORMANCE MEASURES TO RECOMMENDATIONS

In order to increase economic benefits from aviation, it is important to create an environment where business can flourish, and new business opportunities are created. The Netherlands should therefore focus on:

1. Lifting or increasing the cap on aircraft movements and cost-effective expansion of the Dutch airports

Caps, that artificially reduce capacity, should be lifted. Any further expansion of the current infrastructure should be planned in consultation with the relevant stakeholders, to keep cost-efficiency and transparency. In order to lower the cost of aviation, a movement to a single till pricing should be considered. Furthermore, increased powers should be provided to the regulator to be able to effectively deal with any costs charged to users due to inefficient airport operations.




2. Avoiding the introduction of new environmental taxes

The Netherlands should avoid introducing any new environmental taxes and should focus on the implementation of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) as a tool to mitigate carbon emissions in the Netherlands.

3. Slot management at Schiphol airport

Continue to maintain a slots allocation policy in line with EU Slot Regulation, the international best practises and the Worldwide Slot Guidelines.

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

			
	Passengers	EUR GDP	Jobs
2017	36.1 m	€22.4 bn	306,141
2037	Current trends	€27.7 bn	318,141
	Upside	€30.1 bn	346,271
	Downside	€24.2 bn	277,472

* 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, 36 million passengers departed from Dutch airports. There were 76.2 million terminal passengers.⁹ The robust air connectivity is an enabler of economic activity in Netherlands creating 306,000 jobs and supporting EUR 22.4 billion to the economy in 2016.¹⁰ In the next 20 years the number of departing passengers from the Netherlands will increase by 23.6%.¹¹ However, if the Netherlands is able to implement the policies noted in this report, there is an upside potential to increase this value and ultimately deliver wide economic benefits through the higher number of jobs and contribution 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 Worldwide Slot Guidelines 2019

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