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Logistics insights

Austrian Airlines and the Vienna Airport

The negotiations about the future of Austrian Airlines are also about Austria as a business location.

Optimal flight connections are an important consideration for tourism and for where internationally operating companies decide to establish their offices. Airports and airlines make their money not only from passengers but also from freight and the profitable additional services that go along with it. Now they are facing challenges such as travel restrictions, worried passengers, hygiene measures and ensuring a minimum distance between people. Their business model depends heavily on capital and their short-term strategic mobility is very limited.

Under such conditions, structures that have grown up over the years are rarely economically viable.

The management needs a free hand and the workers' councils need to be willing to help the company survive in the long run. The situation will require cost and structural adjustments and in some cases downward price adjustments. This is difficult, because who knows whether there will be a second or third wave of infections, when a "new normal" will be reached and what that will look like? In any case, there is sure to be much less travel in the future than before COVID-19.

Until recently, the Lufthansa Group including Austrian Airlines probably paid well over 60% of the fees collected by the Vienna Airport. This was an extremely close business partnership, but does it mean it will have to stay that way forever? If it does last, then there will have to be a tradeoff because Lufthansa must decide whether it wants to maintain Vienna as its third hub after Frankfurt and Munich, and whether it is even in a position to do so. The bundling effects of a reduced passenger volume speak against this and its major competitors in the Gulf States are working with far lower operating costs.

The Vienna hub needs its regional antennas to the Eastern European regions that are less well-connected. Long-distance routes will only be worthwhile if the location's regional function can be maintained. Both of these together draw passengers and freight, but require a concentration on one core carrier and an airport with flexible capacities.

New cards, new game. The new start in Vienna will be suspenseful; it also inherently offers new opportunities. The emerging business locations Budapest and Prague have developed into strong regional rivals. Vienna's traditional role has lost much of its worth.

When it comes to freight, costs are now the decisive factor. We are not just talking about the 20,000 jobs in the airport region but also about Austria as a business location, its jobs, tax revenue and prosperity. The significance of the Vienna Airport and its home carrier Austrian Airlines is inestimably high! Unfortunately, however, government support won't have a lasting effect without a location guarantee for the Vienna hub and a restructuring of the cost base from the ground up.