

Austria: Europe's center of opportunity

A new government brings an investor-friendly outlook to the country

Having elected a young and dynamic new government headed by Chancellor Sebastian Kurz in 2017, 2018 saw one of the world's most important economies return to the international spotlight—Austria, a country geographically and ideologically located at the heart of Europe and the European Union (EU) that “acts as a bridge builder between the east and west,” states Kurz.

It has consistently ranked as a leading destination for foreign direct investment (FDI) for many years, as well as “probably the most secure and most beautiful place to live,” he says. But international interest is increasing in a country predicted to see its economy's success outstripping that of many other EU countries, including Germany. Reflecting on some of the achievements his government has overseen after just a year in power, Kurz notes that Austria has reached its first budget surplus for 65 years. In addition, “We have an economic growth rate of close to three percent and unemployment is going down; we are now on the right path to achieve even better results,” he says.

This path includes a number of major economic reforms. “We have reformed the labor law to make it more flexible and we have started to reduce the tax burden so that we become more competitive again,” explains Kurz. “We are a very business-friendly government,” he stresses, noting that another change to the tax regime will take place by 2020, which will include a reduction in corporate tax rates.

Supporting investors and business development

With the business environment flourishing, the investment promotion agency ABA—Invest in Austria, “expects the fourth record year in a row” for FDI in 2019, says its managing director René Siegl. Providing a one-stop shop for international investors, ABA supplies information, support and consulting services free of charge for a wide variety of sectors. “When people think of Austria, they think of tourist clichés; yet we are one of the richest countries worldwide

We have an economic growth rate of close to three percent and unemployment is going down; we are now on the right path.

Sebastian Kurz, Chancellor of the Republic of Austria

and our manufacturing sector is as comparatively large as Germany's,” says Siegl, who adds that a lot of FDI is currently going into innovative areas such as “information technology, business services, technology, pharmaceuticals and biotechnology.” In his view, three things make Austria ideal for investors: “It ranks as one of the most stable countries worldwide, no state in the world is as knowledgeable or connected to Central and Eastern Europe, and Austria offers excellent incentives—you receive a refund of 14 percent on research and development (R&D) expenditure, for instance.”

This has helped Austria become “second in Europe for R&D spend” says Margarete Schramböck, Minister for Digital and Economic Affairs. The number of innovative entrepreneurs is also rising rapidly and one way her ministry is supporting them is by embracing digitalization. A new digital agency is assisting small and medium-sized enterprises, countrywide innovation consul-



IMAGE © SHUTTERSTOCK/HENRYK SADURA

tation hubs are opening, and the government is investing in advancing digital skills and e-government, she says.

Schramböck believes that new technologies will “help us to reindustrialize Austria and Europe. As an example, the world's most modern digital steel factory is going to be built in Austria, creating jobs and a new type of industry that doesn't harm the environment.” She wants to enable developments like this by monitoring advances without overregulating—a key example of the new government's focus on becoming, as she describes it, “a service partner to business, making it easier for companies to set up, to invest and to grow.”

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Stable finances enable innovation

Legislators, agencies and banks bring new technologies and business models to the financial sector

One of the major advantages Austria has traditionally offered investors is its stable financial position. This is set continue under Minister of Finance Hartwig Löger who believes it is his job to “strike a balance between keeping public finances in order and supporting successful economic developments.”

Having achieved Austria’s first budget surplus in 65 years, he is now “focusing on sustainable budgeting,” for the short, mid and long term, he says. Financial markets seem pleased with the government’s progress, Löger states: “Bond yields are favorable, fiscal rules are deemed to be respected and no macroeconomic imbalances are observed.” In addition, economic growth is above Europe’s average. “This will bring further investment impulses and offer stable growth ratios,” he says.

As well as stability, the government is bringing innovation to finance. 2019 will see a third market on the Vienna Stock Exchange being opened to small and medium-sized enterprises (SMEs), “the backbone of the Austrian economy,” notes Löger. The Ministry of Finance has also set up a Fintech Advisory Board, made up of stakeholders from regulators to financial startups, in order to put a legal framework in place to support the new sector’s development.

Also ensuring stability is the Austrian Treasury. “Our main focus is to have a risk-averse portfolio,” says its managing director Markus Stix; “Austria is a safe haven for investment.” However, the treasury is also open to innovation and was the first in Europe to successfully trial blockchain for issuing bonds. The central bank, Österreichische Nationalbank (OeNB), is another technology-minded body. For example, it is rolling out a new instant payment system with the European Central Bank. Alongside the Financial Market Authority, OeNB regulates Austria’s banks, its governor Ewald Nowotny explains: “We have been quite tough. Today, they have Tier 1 ratios beyond the European average and non-performing loan ratios way below European averages.”

Although tough, “Austria provides a very stable regulatory and legal environment,” stresses Anas Abuzaakouk, CEO of BAWAG, one of Austria’s top four banking groups and a company that has found success through innovation. Established in 1922, BAWAG adopted a new and unique business model after 2006 when it was taken over by a consortium led by U.S.-based Cerberus Capital Management, which still has a 35-percent holding.

“We went back to basics. Our bank appeals to mass-market retail, SMEs and also does selective corporate lending,” says Abuzaakouk; “Our viewpoint is ‘simplicity and efficiency’. Being transparent, understanding the terms and conditions, offering a fair price, having good financial advisors and a national network is a winning formula.” This approach has won BAWAG “over 2.5 million customers, predominantly in Austria but also in Germany and we are Austria’s most profitable bank,” he notes. It also led to BAWAG’s initial public offering in 2017 being the largest ever seen in the country. As “probably one of the most acquisitive banks in Europe,” says Abuzaakouk, the bank would like to continue to grow through strategic acquisitions in stable regions such as Germany and Austria, which is “a hidden gem in banking,” he states.

IMAGE: © BMDW



Sebastian Kurz
Chancellor of the Republic of Austria



René Siegl
Managing Director ABA—Invest in Austria



Hartwig Löger
Minister of Finance



Johann Strobl
CEO, Raiffeisen Bank International



Anas Abuzaakouk
CEO, BAWAG Group



Margarete Schramböck
Minister for Digital and Economic Affairs

The regional hub for financial services

Investors look to Austria to navigate Central and Eastern Europe

At the crossroads of east and west, Austria is the international financial services hub for the rising economies of Central and Eastern Europe (CEE).

“The CEE markets we operate in are growing with double the growth rate of Europe’s developed markets,” says Johann Strobl, CEO of Raiffeisen Bank International, Austria’s second largest bank with desks in 13 CEE countries; “We believe that these markets will become very attractive for international investors.” Vienna —as opposed to, say, Frankfurt or London—is the partner of choice for investors operating in the region, he states: “All the CEE expertise and engagement is here. Vienna has the know-how and experience to understand and navigate the cultural differences across every country.”

Raiffeisen is one of a few Austrian banks that have been developing their CEE businesses since the 1990s. “We are a mid-sized regional banking group with €140-150 billion in total assets. What differentiates us from many others is that our network in CEE is very large,” says Strobl. A further differentiation is its startup accelerator program that gives smaller businesses immediate access to its CEE network. By working with Austrian service providers like Raiffeisen, investors receive expert guidance on doing business in a diverse region. “We have dominance and guidance from the European Union (EU) regulators and we also have local regulators in every country, some of which are not members of the EU,” he explains; “This creates a lot of complexity.”

Although complex, CEE offers great potential, he believes: “The need for additional banking services is growing as the income of the population is growing.” Wolfgang Viehauser, joint CEO of Hypo Noe, Austria’s largest provincial bank agrees: “We have seen a huge amount of development across CEE and have increased our credit book there by 70 percent.” CEE’s insurance market is also rising, says Elisabeth Stadler, general manager and CEO of Vienna Insurance Group, the region’s leading insurance provider. Highlighting countries that have joined the EU, she says: “Clients have more money to buy more expensive goods, and they are also considering life and health insurance. We expect tremendous growth potential in the next few years in these countries.”

Some CEE countries, such as Russia and Turkey, are considered non-marketable insurance risks, although that gap is plugged for Austrian companies by

Oesterreichische Kontrollbank. “We are the official export credit agency, while being a private company,” says board director Helmut Bernkopf; “We insure the risk of an Austrian exporter, finance Austrian companies that want to build up export capacities and also support financing investments into CEE.”

While CEE is an important international focus for institutions, it is not the only one. The Austrian Mint’s gold coins, for example, are popular in Japan, says CEO Gerhard Starsich: “So we are setting up an international network in Austria to address Asian markets.” But in terms of international spread, at the head of the pack is APK Pensionskasse, a major private pension fund provider. “We have always invested globally,” says CEO Christian Böhm. However, he points out: “There is no dedicated home bias in our investment strategy but we are convinced that we have in Austria a lot of interesting investment opportunities—you just have to know where those hidden champions are.”

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Vienna: The city of the future

Smart and sustainable development plus a strong business ecosystem make Austria’s capital the best place in the world for tourism and business

Home to nearly two million people, “Vienna is one of the most successful tourist destinations in Europe,” says its mayor and governor Michael Ludwig.

16.5 million business and leisure visitors stayed in the Austrian capital in 2017, drawn by the same things that have put it at the top of the Mercer Quality of Living survey for nine years in a row. According to Ludwig, these include the fact that the beautiful city is a renowned cultural capital, living costs are reasonable and green spaces make up 50 percent of Vienna. Smart and sustainable urban planning is a priority for a city with one of Europe’s highest growth rates, he states: “We have a number of urban expansion projects. One of them, Aspern, is one of the largest in Europe. We are developing the city of the future there.”

Companies are also increasing Vienna’s sustainability. Österreichische Post, Austria’s postal company, “plans to install huge photovoltaic panels at our new distribution center north of Vienna,” says its CEO Georg Pözl. But one of the biggest symbols of Vienna’s green credentials is the Freudenau hydropower plant on the River Danube, which provides electricity for 280,000 households. It is owned by Verbund, “Austria’s leading electricity company and one of Europe’s largest hydropower producers,” says CEO Wolfgang Anzengruber.

Headquartered in Vienna and trading in 12 countries, “Verbund has diligently followed the path of decarbonization. Today, roughly 95 percent of our generation is carbon-dioxide free and comes from renewable sources,” he states. Among other things, the company is now looking at digitalization in order to bring it closer to its customers, who will increasingly generate their own electricity, Anzengruber believes. And there are plenty of companies in Vienna to help Ver-



Verbund: Hydropower storage plant in Kaprun, Austria

bund with this. “Vienna is a smart city—often regarded as the smartest worldwide,” says Gerhard Hirczi, managing director of Vienna Business Agency (VBA), which aims to strengthen business through financial support, advice and real estate activities.

A major focus for the city is manufacturing, he notes: “At the same time, Vienna has competitive advantages in, for example, life sciences, digitalization and urban technology. In addition, 50 percent of Austrian startups are based in Vienna and no other city in Europe offers such a rich startup ecosystem regarding grants.” Part of this ecosystem is Austria’s leading telecom company A1 Group. “We target startups who have good links to our core business,” says CEO Thomas Arnoldner; “For instance, ParkBop a smart parking company that we host in our Vienna startup campus, is now expanding to America.”

As Vienna becomes better known as a thriving business location and not just for its quality of life, VBA is the first port of call for a growing number of foreign businesses looking to relocate, Hirczi says: “In 2017, we hit a new record: 191 international companies came to Vienna.”

Climactic change

One thing impacts all aspects of Minister of Tourism and Sustainability Elisabeth Köstinger’s wide-ranging brief, she says: “Tackling climate change is one of the fundamental challenges of our century, and crucial for agriculture, energy and tourism.”

Energy is a key focus for her: “Around 72 percent of our electricity comes from renewable resources but we aim to raise this to 100 percent by 2030.” Another is a pioneering banning of non-biodegradable plastic bags. Her ministry has also involved all stakeholders in a new strategic and sustainable tourism plan. “For winter tourism we are the world’s number one and we are now aiming to attract tourists during spring and autumn,” she says, adding that Austria is also looking to build new tourism sectors, such as health tourism at its famous lakes and spas, and gastrotourism.

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Contributing 16 percent of GDP, tourism is booming in a country that regularly ranks as one of the world’s top 15 tourist destinations.

“From enjoying the rich culture of Vienna to experiencing the Alps through skiing, hiking and other activities—it really is a winning combination, explains Petra Stolba, CEO of the Austrian

Our ambition is to become Europe’s second 5-star airport.

Julian Jäger, Chief Operating Officer Vienna International Airport

National Tourist Office. The alpine country has a competitive and forward-thinking tourism industry, she says: “We don’t engage with mass tourism and offer an indulgent experience into the Austrian way of living with culinary delights and welcoming hospitality.”

For many, the first experience of that hospitality is at Vienna International Airport, which expects

to handle 27 million passengers this year. “This represents a 10 percent increase on last year,” says chief operating officer Julian Jäger; “Our airport infrastructure is well and truly prepared for this increase but we want to invest up to \$575 million in our terminal infrastructure over the next five years—our ambition is to become Europe’s second 5-star airport after Munich.”

“We also had growth in every hotel sector, from 5-star to 1-star,” says Michaela Reitterer, president of the Austrian Hotel Association, a lobbying organization with over 1,400 members. “We are following a path of quality and not quantity—this is what makes Austrian hospitality so successful and why people keep coming back,” she states, noting that the country’s offering perfectly matches trends in global tourism centered on desires for organic food, health, mindfulness and utilizing smaller and local hotels, restaurants and shops. Her message to those considering where to vacation next is: “Visit Austria! We are more than just the Sound of Music. We have incredible landscapes and culture, and it’s beautiful here—I’m so proud to be Austrian.”

Setting the trends in tourism

A spotlight on the market leader: Verkehrsbüro Group

Austria’s leading tourism enterprise, the Verkehrsbüro Group, is “a one-stop-shop. Our clients approach us because we have everything they might need for travel,” says CEO Martin Winkler. The group tops the market in leisure tourism through a division that includes retailer Ruefa, with over 110 Austrian branches, and Eurotours, which offers vacations in Austria and worldwide travel. A second division covers business tourism, meetings, incentives, conventions and events, while a third is a successful hotel group, operated under its own brand, Austria Trend Hotels, and in a partnership with Germany’s Motel One.

It is in hotels that Winkler sees most growth potential: “We have a strong basis for opportunities in Austria and neighboring countries including Germany.” In all of its businesses, however, “we want to stay number one, which is why we are constantly in search of innovation,” he says. This means continuing to invest in infrastructure and digitalization, adapting products to specific markets, and more international partnerships. “Tourism is a growing industry and a very worthwhile investment option,” says Winkler.

Borealis is a leading provider of innovative solutions in the fields of polyolefins, base chemicals and fertilizers. With its head office in Vienna, Austria, the company currently has around 6,600 employees and operates in over 120 countries. Borealis generated EUR 7.5 billion in sales revenue and a net profit of EUR 1,095 million in 2017. Mubadala, through its holding company, owns 64% of the company, with the remaining 36% belonging to Austria-based OMV, an integrated, international oil and gas company. Borealis provides services and products to customers around the world in collaboration with Borouge, a joint venture with the Abu Dhabi National Oil Company (ADNOC).

www.borealisgroup.com



Rainer Seele
CEO
OMV



Georg Kapsch
CEO, Kapsch Group



Norbert Hofer
Minister of
Transport,
Innovation and
Technology



Alfred Stern
CEO
Borealis



Heimo Scheuch
CEO
Wienerberger



Peter Oswald
CEO
Mondi

International innovators rooted in Austria

Austrian companies are transforming global industries

While most Austrian companies are small, the country is home to some major businesses that are changing the world through innovation.

One is OMV, an integrated oil and gas company with a portfolio covering four continents and annual sales of \$23 billion. It is committed to growth, says CEO and chairman of the board Rainer Seele: “Over three years, we have increased our production from 300,000 to 500,000 barrels per day.” A big part of its new investment is directed at gas to help contribute to sustainable energy. “If we switch from coal-based power generation to natural gas we can reduce carbon-dioxide (CO₂) emissions by 50 percent and If we switch from a gasoline-based car to a natural-gas car, we can reduce emissions by 20 percent,” explains Seele.

The company is also investing up to \$575 million in innovative energy solutions. For example, “OMV has done lots of research and development in a new technology we call Re-Oil. Instead of burning plastic waste, we are producing high-quality synthetic crude oil with the waste as a feedstock. We can transform that oil into diesel gasoline, polyethylene, polypropylene—the full spectrum. Investing into the value chain and lifecycle of our products is a huge

contribution from OMV to the reduction of CO₂ emissions,” he says.

The key philosophy behind plastics, base chemicals and fertilizer manufacturer Borealis is “value creation through innovation,” says CEO Alfred Stern. 36-percent owned by OMV and 64-percent owned by Abu Dhabi’s Mubadala, it is Europe’s second biggest polyolefin thermoplastic producer. Through its activities and those of Borouge, a joint venture with the Abu Dhabi National Oil Company, it supplies a wide range of worldwide customers.

“The versatility of the polymers that we make means that we can continually innovate and improve production processes while increasing performance,” he says, adding that the company is expanding internationally. For instance, it is investing in a large Belgian plant that will produce propylene and has formed a joint venture in Texas to take its proprietary technology to the U.S.

One of its focuses is the circular economy. “In 2016, we became the first polyolefin producer that was also a recycler. We design our products so that they are reusable and easy to recycle. Then comes waste collection and management. We then work on improving our recycling technology to make better products from those

materials,” Stern explains. Through this, and by using less resources in products, he believes that Borealis makes a major contribution to sustainability as an innovative market leader.

Innovation is also key in the oil and gas equipment sector, says Gerald Grohmann, CEO of Schoeller-Bleckmann Oilfield Equipment, one of the largest firms on the Vien-

na Stock Exchange: “Austria is the home of many global market leaders with niche technologies; we are one.” Another is Lenzing, global leader in sustainable wood-based cellulose fibers. “We invented Modal and were one of the inventors of Lyocell,” says CEO Stefan Doboczky. His company, like those previously mentioned, “has developed into a truly international company with Austrian roots.”



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Digitalization leads to innovative infrastructure

Austria is at the forefront of transportation and construction infrastructure development

Austria is a European leader in infrastructure investment. “We intend to invest €13.9 billion into the development of the railway, for example, and we have €1 billion reserved to decarbonize local transport,” says Norbert Hofer, Minister of Transport, Innovation and Technology.

In addition, the agency responsible for the main road network, ASFINAG, is working on various construction projects, says CEO Klaus Schierhackl. All these investments are utilizing innovation for a transforming world. “Things are changing really quickly,” says Hofer; “This particularly holds true for autonomous driving, drones, the Internet of Things (IoT) and blockchain.”

Austrian companies are at the forefront of some of these changes. “We are at the edge of technology, at the edge of solutions and are very strong in the market segments we serve,” says Georg Kapsch, CEO of Kapsch, one of Austria’s most successful technology groups with about 100 subsidiaries and offices around the world; “Anyone who knows about road-tolling and connected-road technologies knows Kapsch because we are driving the market. The same applies to railway communication systems and, in so me countries, information technology and IoT solutions.” Kapsch believes that the development of autonomous cars is a big growth opportunity

for his group: “We provide infrastructure as well as in-car devices, and platforms to manage and optimize traffic flow, safety and security. Kapsch has always been an active disruptor—we are well prepared for a future of smart transportation.”

Another Austrian business, Wienerberger, is shaping the future of smart construction. The innovative building materials company is active in over 30 countries and is the world’s largest producer of bricks, as well as being a leader in piping and paving materials, among other things. “More than 25 percent of our turnover comes from innovative products,” says CEO Heimo Scheuch and Wienerberger is also an enthusiastic adopter of digitalization, from customer-centric databases, to automated factories and logistics systems. Now it is moving to the next stage, he says: “When a house is built, it’s not only built with our bricks but also with our pipes for water and electricity. You can use our data on these different materials to run the house very efficiently. He speaks for many in Austria when he adds, “Future development and sustainability play a very important role for us.”

A hidden champion for recyclable packaging

Mondi is contributing to a better world with paper and flexible plastics

By announcing a ban on most plastics bags from 2020, Austria is at the forefront of the world’s shift away from non-recyclable packaging. “It means a big comeback for paper packaging in the global market and Mondi Group is leading that by a wide margin,” says its CEO Peter Oswald.

“We are the world leader in kraft paper and industrial bags, and we are using this capacity to produce more consumer bags. You will progressively see more of our paper stand-up pouches replacing plastic, for instance,” he adds. The paper and

flexible packaging group employs about 26,000 people—and it is growing quickly, with annual revenues of \$8 billion and 2018 third quarter earnings up 30 percent on the previous year.

Mondi has no intention of standing still, Oswald says: “We are constantly developing innovative products. Currently, we are building a paper machine for a totally unique product. It produces one layer of virgin pulp and another of recyclable paper, which has important environmental benefits while retaining print and appearance quality.”

The company is also a pioneer in flexible plastic packaging. “We have developed a product made of two layers that are easy to separate and recycle. And we are already working on products that will have just one layer of recyclable material,” he states.

The company currently has around 100 production sites in over 30 countries and is expanding, he says: “We are increasing our footprint in the U.S., where we now have nine plants, and in Asia. Mondi’s vision is to contribute to a better world and we will do so with our sustainable packaging.”

IMAGE: © BMNT - PAUL GRUBER



Elisabeth Köstinger
Minister of Sustainability and Tourism

IMAGE: © VERKEHRSSBUERO GROUP - JENNIFER FETZ



Martin Winkler
CEO Verkehrsbüro Group

IMAGE: © BMBWF - MARTIN LUSSER



Heinz Fassmann
Minister of Education, Science and Research

IMAGE: © MINNA ROSSI



Heinz Engl
Rector University of Vienna

IMAGE: © OeAW - Sepp Dreissinger



Hubert Hasenauer
Rector, University of Natural Resources and Life Sciences



Anton Zeilinger
President Austrian Academy of Sciences

Academia focuses on research

The international prominence of Austria’s well-funded universities and institutes is growing

The Austrian government prioritizes research, technology and innovation—sectors it believes are the driving forces for sustainable economic growth.

“We have established a paradigm shift: we have become a research country,” says Heinz Fassmann, Minister of Education, Science and Research. The statistics prove him right: research and development expenditure is around 3.2 percent of GDP, the second highest in Europe and seventh worldwide. “Now,” he adds, “it is our responsibility to expand and strengthen our position—we have to invest in our human resources through our education system.” The new government is doing just that and has announced an almost 10-percent increase in spend for education, which already receives 5.4 percent of GDP.

The well-funded education and research system, which includes internationally renowned universities and institutes, has provided the impetus for many research-intensive companies to be created in, or move to Austria. “Leading people in the high-tech industry have told us: we are interested in your ideas and patents but what is much more important to all of us is the quality of education you provide,” says Anton Zeilinger, quantum physics pioneer and president of the Austrian Academy of Sciences (ÖAW), the country’s main non-university research and science institution. Operating 28 research institutes covering sciences and humanities, ÖAW excels in a broad spectrum of innovative areas—especially Zeilinger’s own specialism—for which it has been rewarded with 44 European Research Council grants. “We support young researchers very actively, are collaborating with every industrial and emerging

country, and, through academic training, produce people of outstanding quality—this is what the economic sector needs from us,” states Zeilinger.


The University of Natural Resources and Life Sciences (BOKU) in Vienna, a name that has become internationally synonymous with the term sustainability, is another institution educating to an exceptional level, with 80 percent of its students in work within six months of graduation. “Our approach creates leaders,” explains its rector, Hubert Hasenauer: “BOKU was founded on the premise of building an educational program comprised of three pillars: technical, ecological and socio-economic. We must solve real-world problems and you don’t acquire this skill if you educate students in just one discipline. Consequently, we require an integrated approach whereby we couple research and education.”

As interest in studying environmental issues increases, BOKU has become one of Europe’s fastest growing universities and it is now the preeminent university for research into the bioeconomy—the replacement of fossil fuels and related materials to tackle climate change. “BOKU is also very good at researching the impacts of climate change, and we are proud to be leading researchers in avalanche control and disaster management. I am convinced BOKU will continue to strengthen its role as a responsible university for natural resource management, especially in an international context,” adds Hasenauer.

Associated with 20 Nobel prize winners, Austria’s largest research and education institution, the University of Vienna (Universität Wien) scores highly in global rankings for a wide range of subjects. It also believes its international position is set to rise even further, says its rector, Heinz Engl: “We are entering an extraordinary period. For the next three years, we will benefit from an extra \$230 million in federal funding. We intend to put this money towards developing the university and increasing the number of professorships by 70. Determined to stay at the forefront of innovative technologies, the university is investing in future-oriented fields of research, including data science, machine learning and digital humanities. With other institutions also benefiting from the government’s increasing education budget, he concludes: “Austrian universities are on the up.”

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Sebastian Kurz, Chancellor of Austria, highlights Austria's productive business environment, its tax reforms and his achievements after one year in office



How would you describe the current business environment in Austria?

We are very business friendly and our goal is to be even more successful. About 10 years ago, Austria led the European Union (EU), recording its lowest unemployment rate and highest economic growth rate. After that, with the global financial crisis we had a situation that became worse quite quickly, unfortunately. But now we see improvements. We have an economic growth rate of close to three percent and unemployment is going down; we are now on the right path to achieve even better results than before the crisis.

One year into government, what have you achieved so far?

Precisely what we promised during the election campaign. During the campaign, we said that we would do our best to make Austria economically more successful. We are making good progress in that regard and we have started reforms to strengthen our competitiveness.

We have reformed the labor law to make it more flexible and we have started to reduce the tax burden so that we become more competitive again. For people who go to work every day, they must earn enough to make a living, because our current tax rate is far too high. 43 percent is higher than the European average and our goal is to reduce it to 40 percent by the end of our term. I am convinced that we will reach this goal. We have also started to reduce taxes for families and those on smaller incomes. The next step will be another tax reform, which will start by 2020, which will also reduce corporate tax rates.

We have strived to stem the flow of illegal migrants coming to our country. In 2015, we took in more in absolute numbers than the U.S.: the U.S. took in 70,000 refugees and Austria took in 90,000. Austria is a country of eight million people; the U.S. has 325 million people. It's also good that we were able to dramatically reduce the flow of illegal migration. This year we have received about 10,000 asylum requests in Austria so far. This is the same number we had in 2015 on one day at peak times.

“During the campaign, we said that we would do our best to make Austria economically more successful. We are making good progress in that regard.”

Sebastian Kurz, Chancellor of Austria

And the third point, which from my point of view is a critical one, for more than 60 years Austria made a fiscal deficit. This year is the first time we made it possible to stop this policy and to reach a budget surplus.

Could the EU Parliament elections in May 2019 be a breaking point?

I believe that, in a way, these elections will be a turning point, but they are certainly not the breaking point. The biggest party in the European Parliament is the European People's Party (EPP), to which I belong, and I am confident that the EPP will remain the strongest party in the European Parliament. The elections represent an opportunity for a new dynamic in the EU. Our goal is to have unity and strong cooperation in the EU, with no more tensions between the north and south, or the east and west—because that only makes us weaker.

Austria is the Visegrád Group's southern neighbor. How close are partnership ties within the group?

Our most significant partner and neighbor is Germany. Germany is also our biggest economic partner and, on most political questions, we act in close coordination with Germany. Austria has always been quite involved in the Southeastern European countries, which are important to the economy.

Located in the heart of the EU, Austria acts as a bridge builder between the east and west. Because of our history, we have always been a good gateway to the Eastern European market. We have strong ties to all other member states of the EU and also to the countries of the Western Balkans. This is an advantage for our country. In all of the Southeastern European countries, we are among the biggest investors.

What are the top five things Austria must do in the next five to 10 years to consolidate its strengths and international appeal?

To stay competitive and to remain an excellent place to do business, we must fight against red tape. It is also important to reduce taxes so that people who go to work get enough at the end to make a living. Also, we must invest in education so that companies get the skilled labor force they need. And finally, security is important and that we decide for ourselves who is allowed to migrate to our country and who is not. This decision must not be left to the smugglers. It is essential to keep our leading place in the rankings as probably the most secure and most beautiful place to live.

AUSTRIA

Digitalizing an entire nation

Dr. Margarete Schramböck, Federal Minister for Digital and Economic Affairs of the Republic of Austria, shares her goals of reducing bureaucracy and promoting digitalization



What is the ministry’s vision for Austria?

We want to change the government’s focus and help companies to be successful. We want to be a service partner to business, making it easier for companies to set up, to invest and to grow. Austria needs to implement fundamental changes. We understand that it’s companies—not us—that create jobs, so we need to help them as best we can

What is your strategy for aiding companies?

Firstly, we need to reduce bureaucracy. I’m extremely focused on the tough job of eliminating unnecessary bureaucracy in business. We aim to re-educate entire organizations on bureaucracy, because for years we have introduced too many additional laws. My ministry has built up a reputation for accepting the lowest amount of new legislation and eliminating the greatest amount.

The second main initiative in supporting companies is to embrace digitalization. I’m very proud that my ministry is one of the first in Europe dedicated to digital and economic affairs. Our focus on this unique digitalization transformation is strong, although we must cover all areas of digital issues. For example, the Digital Agency deals with digitalization for small and medium sized companies (SMEs), and we are opening dedicated innovation consultation hubs across Austria.

“74 percent of Austrians use mobile devices. But we still need to adapt our services to today’s world.”

Margarete Schramböck, Minister for Digital and Economic Affairs

Following this we must ensure that these skills are harnessed by older generations as well as by young people. We have created a program for the 60+ generation to empower them with the digital knowledge they need. In 2019 we are launching the Digital Café: weekly sessions across Austria where older people can learn about digitalization, regardless of age or experience. The program also helps to improve social inclusion.

Finally, re-skilling people in companies is crucial. We are currently testing out digital boot camps for a potential start date at the beginning of next year. These camps will be available to all Austrian companies, effectively creating an ecosystem of large and small companies that can come together to become more digital.

To what extent does digitalization influence government process?

Digital government is a crucial element of digitalization and Austria is already very advanced: 74 percent of Austrians use mobile devices and we are streets ahead of Switzerland and Germany. But we still need to adapt our services to today’s world. We want to ensure the same level of convenience when dealing with public authorities as we enjoy in our private lives.

Our program is called From E-government to Mobile Government, and will be available in March 2019. It will cover everything, from registering private addresses to helping expectant parents register new babies, it can all be done with our new application and from people’s homes. With the app parents will be able to complete all the necessary administrative steps for registration of the baby’s birth and name..

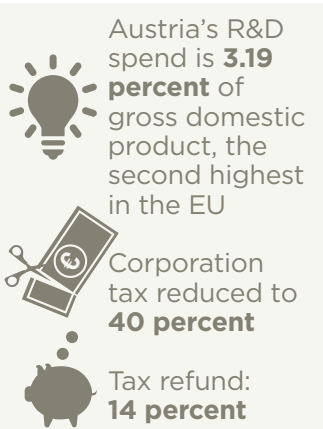
People have different demands on their time today; they want to deal with these things at home or work, and our modern digital government will provide these services.

Austria aims to reduce corporation tax from 43 percent to 40 percent, currently the second highest in the EU. The Austrian government recently discussed a temporary tax on digital companies’ revenues at roughly 3 percent. What is the intention of these tax reforms?

We are definitely not a low-tax country, but we want to reduce taxes for individuals and especially for companies, and to make Austria competitive we will certainly reduce corporation taxes. However, although we are committed to reducing taxes, other incentives are more important and more attractive for companies investing in Austria.

For example, Austria has dramatically increased its R&D (research and development) investment in the past year. Our quota is 3.19 percent—way above Europe’s average. Very few people are aware that we are second in Europe for spending on R&D, topped only by Sweden.

Another important area where with many incentives in Austria is tax bonuses. We offer a 14 percent tax refund for companies in the pharmaceutical and the high-tech semiconductor industries.



Predictions for Austria could change the face of daily life completely

Norbert Hofer, Minister for Transport, Innovation and Technology, imagines an exciting new world



It has been a year since you were sworn in as Federal Minister for Transport, Innovation and Technology. What milestones have you reached, and how would you evaluate your first year in office overall?

The first months involved inaugural visits and planning the direction to take, and the launch of the EU Council Presidency. I’m also responsible for coordination with the Austrian People’s Party (OVP) in parliament.

I have been working on development of the rail infrastructure, for investment over the next five years, our annual budget, and investment in freight transport. Our goals to decarbonize local transport, particularly in urban areas, will also encourage people to use the railways and steer away from road transport

What are you doing to make cities like Vienna smart cities with smart public transport?

To handle predicted volumes of passengers we need to focus on e-mobility, hydrogen and driverless vehicles. The number of newly registered e-vehicles amounts to 2.5 percent, but there is still a lot of development ahead of us.

We plan to develop internet infrastructure and 5G networks. We want 5G to reach all provincial capitals by 2020, all the main transport routes by 2023, and be nationwide by 2025.

We have ensured success by making it a legal requirement for all public bodies to make their premises available for the installation of 5G antenna.

“We are currently in the middle of a fast-changing era in technology, where small steps will suddenly result in a giant leap of innovation.”

Norbert Hofer
Minister for Transport, Innovation and Technology

Are these proposals in line with digitalization and the disruption of industries?

New 5G infrastructure means that companies can set up premises and businesses in rural areas. This trend will reduce commuter numbers and boost rural economies.

The mayor has talked about the importance of innovation and knowledge sharing between academia and businesses. How do you promote effective sharing of ideas in Austria so it remains a hub of Central Europe?

We are actively promoting cooperation between universities and business. Austria is a European leader in R&D investment, and we want to be sure that all this innovation goes into business and practical applications. Cooperation between universities and businesses will mean that innovation has a positive impact on people’s everyday lives.

Drones are one innovative product, which we are developing for transport. They will be built in Austria but we have yet to define a legal framework.

Your ministry has some exciting projects in the pipeline. Do you have a final message for our readers?

We are currently in the middle of a fast-changing era in technology, where small steps will suddenly result in a giant leap of innovation. driverless cars, drones, the Internet of Things and blockchain are prime examples.

Our everyday lives will change with things like shared transport, jobs that will disappear, the psychological effects of AI, and the new roles that will be created, for which we will need high-level skills that we must train for.

Things like traffic lights and taxi drivers might become obsolete, swarm intelligence will be normal, and nobody will own their own car. One thing I cannot imagine though is pilot-less airplanes, at least on long-haul flights, if only for the reassurance of passengers, although the piloting itself will probably be automated.



Vienna as the new business hub of Europe

Gerhard Hirczi, Managing Director of the Vienna Business Agency, speaks about its international future

The Vienna Business Agency was founded in 1982 and has evolved into an internationally focused group that assists 25,000 expats from 90 nations. Can you give us an overview?

Our aim is to strengthen businesses in Vienna. We help maintain competitiveness of the economy. Our USP is our youth—we have experience but our ideas and our people have the energy of youth. Our portfolio is threefold: starting with company grants and real estate, directed toward developing all sizes of companies. Funding and space are prime concerns for growing businesses in Vienna, and in this we incorporate project development, by leading the way for expansion.

Our third focus is attracting foreign companies to Vienna. 2017 saw a peak in our success with 191 new international companies. We aim to bring players together. Therefore we run departments for the creative industry, technology and startups. We act as a platform for established companies, startups, SMEs and universities to offer support with financing and practical issues.

We provide all services and guidance under one roof, and work with other organizations to offer peer support and a one-stop-shop that for business.

How do you attract international companies?

Recent trends favor cooperation over competition in international business. Today European cities have strong networks and work together, strengthening their local and common interests. Cooperation is far more enjoyable than competition, and incoming and outgoing business is inseparable, and so far collaboration between Vienna and other cities has been successful in promoting Vienna as a business hub beyond its musical fame.

“Startups are a crucial part of Viennese economy today.”

Gerhard Hirczi, Managing Director of the Vienna Business Agency

2017 saw high totals of new businesses, jobs and investment. How was 2018, and what about 2019?

I expect 2018 statistics to show further success. Every new company brings added value to the city. Our acquisition department travels the world to present Vienna's business appeal, to fairs, exhibitions and events, and promote our competitive advantages. Vienna has a technological reputation as a smart city, but our location is also a USP, with connections to central and eastern Europe. East-West business is bi-directional and Vienna is the gateway.

Vienna has again topped the Mercer Quality of Living survey. How has



the Business Agency contributed to this, and what is the significance of the \$5.7 million funding plan and its goal for sustainable manufacture? Manufacture is a focal issue for 2019, and we aim to show that industry and urban life can coexist. Some 80 percent of Vienna's added value is in services but the city also needs production, and there already successful examples.

Manufacture in Vienna is worth \$23 billion. How does this relate to macro-economic variables in Austria?

Vienna contributes about 25 percent of GDP, predominating in some areas, such as startups. The university and the life sciences sector are similar factors, as is the biopharmaceutical giant Boehringer Ingelheim.

How does the agency ensure that startups can access resources and support in Vienna?

Startups are a crucial part of Viennese economy today. With the Federal Authorities, we delegate \$57 million and offer an extensive support network. We are working on international visibility with our startup packages that offer benefits to new international businesses, and our business reputation is growing in the startup world.

How does the agency's Founders' Lab for Digital Technologies tie in with Industry 4.0 and digitalization?

We are already a successful location for IT and manufacture, and the IoT and Industry 4.0 bring existing skills into the mix. The agency encourages collaboration between these fields, and supports programs and funding for projects to promote Vienna worldwide.

What is your final message to our readers?

I would like to underline Vienna's quality of life, and point out contributing factors such as public transport and pollution levels as well as safety and outside space. We are a good place to live - but also to work.



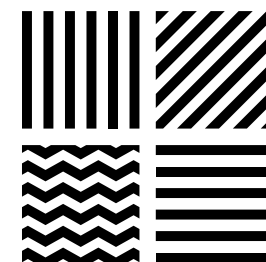
We assist **25,000 expats** from **90 nations**



Vienna contributes about **25 percent** of Austria's GDP



Manufacture in Vienna is worth **\$23 billion**



VIENNA START-UP PACKAGE

Become part of Central Europe's start-up hub.

The City of Vienna invites promising start-ups to join the city's community for 2 months.

Be part of it!

The Vienna Start-up Package includes:

- *Cost of travel to Vienna*
- *Introduction to the Viennese ecosystem*
- *Access to networks*
- *Accommodation*
- *Desk in a coworking space*
- *Dedicated business coaching and workshops*

INFORMATION AND APPLICATION:

viennabusinessagency.at/startuppackage

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Location and strategy are perfect

Julian Jaeger (COO) & Günter Ofner (CFO) explain how Vienna Airport is at the forefront of progress

What does Vienna airport offer and what are its primary growth drivers?
Our services and the major growth drivers in 2018 and 2017 were low-cost carriers, well-reputed Austrian airlines and long-haul flight connections, and each of these areas has seen growth. This year we expect a ten percent increase in passenger numbers.

Large growth brings challenges, how will you support this pattern?
Airport infrastructure is prepared for the increase in demand. 2019 will exceed 2018's growth because more airlines are entering the market. There will be more aircraft, long-haul carriers and new airlines will increase capacity, and low-cost carriers will operate year-round.

What are your priorities for next year?
To maintain sustainable growth. We want to invest up to \$570 million in infrastructure over five years and continually improve the quality of our terminals. We aim to be a five-star airport.

One third of revenue comes from non-aviation. How will this develop?
We predict growth from parking, real estate and retail. Once the south extension is fully operational we will see further impact from businesses relocating to the airport.
Our location is very close to the city, with 250 companies and 22,000 employees currently based here. We plan to increase staff and add more services, such as co-working and a hospital, to create our own mini city.

“We also look ahead very optimistically to the year 2019 and anticipate passenger growth of about 10% to approx. 30 million passengers.”
Julian Jäger, COO of Vienna Airport

All airports offer modern features. How does Vienna appeal to passengers and airlines?
We are very proficient and our check-in and control processes use the latest facial recognition to ensure excellent wait times, so customers can enjoy the airport facilities. Security for transfers is very easy and we plan to further improve connections between the old and new terminals.

Vienna is ideally located to be a hub for central and eastern Europe destinations. How can you capitalize on this?
We may already be the CEE airport of choice. As a main connection point between the east and west, and over 40 destinations in eastern Europe, we have a leading advantage over other European airports. What's more, Vienna



has become a gateway for Asian airlines to destinations throughout eastern Europe.

It is forecast that smaller aircraft will increase routes and lighten the burden on infrastructure. Do you have strategies for this and what other trends do you predict?
Actually, within Europe greater passenger numbers and low-cost carriers mean that aircraft size is increasing. But smaller long-haul aircraft will change the playing field, with significantly lower cost per seat. This will be a crucial and positive development for Vienna airport and others like us. But we still need the larger aircraft to meet demand, so a focus on smaller planes makes no logistical sense. Capacity may even be a problem for future demand.

What new innovation and technology does the airport use?
We try to meet new technology early on, but in air travel the priorities are standards and regulation. We have implemented beneficial check-in procedures and invested more than €10 millions in security technologies. Here we are at the forefront in energy saving and sophisticated software in our airport city. We monitor all our buildings with one program, and from 2020 we will control all energy outlets, continuing to reduce consumption.
A further challenge is using e-mobility in the secure zone, for which we need an intelligent storage solution that is economically viable and flexible, to extract, store and redirect energy. We are collaborating with the university on these projects to save energy, reduce pollution and traffic, and increase efficiency.

What is your vision for Vienna Airport, and your final message?
We aim to be a top European airport for passenger experience and quality, investing in long-term growth and building a third runway to increase our strategic advantage and be in a position to support economic growth in the east. Our strength is a highly skilled workforce, and that equals an excellent future.



Vienna Airport: Real estate location with high potential



The Airport City at Vienna Airport lies at the heart of a prosperous economic region and is an optimal location for businesses that value the best transport links, excellent telecommunication provisioning and the high availability of skilled workers.

More than 26 million travellers visited Vienna Airport in 2018 and it is the leading hub in this region, offering flights to numerous destinations in Eastern Europe. This is particularly important for the Austrian economy: companies that have their headquarters here for Eastern European operations rely on Vienna Airport as an efficient connection to the international economy. This creates added value and jobs: at present, 22,500 employees from more than 230 companies ensure the smooth running of services at the airport. As a result, the Vienna Airport site is already the largest employer in eastern Austria.

AIRPORT CITY VIENNA: THE PERFECT BUSINESS LOCATION
The development of the airport's real estate to create a multi-functional Airport City is an essential element of the airport's strategy. With a logistics space of around 475,000 square feet, a current offering of more than 1 million square feet of office and conference space, various local shopping and service facilities – such as supermarkets, a pharmacy, a health center, a fitness center, a 24/7 post office and a vehicle registration office – as well as many other amenities, the airport is the perfect business location.

OFFICE PARK 4
Construction recently started on the new Office Park 4 at Vienna Airport, which will expand the Vienna Airport City by more than 280,000 square feet of additional office and event space. The new Office Park 4 should be completed by May 2020.

www.airport-city.at

The APK Group has been able to adapt to changes and turn them around

Christian Böhm, CEO of APK Pensionskasse, shares his insights with us



Please could you provide a brief overview of the group's operations in Austria?

The APK Group is predominantly a private pension fund provider, but we also provide severance payments, which is compulsory in Austria. Most of our assets are held in the pension fund, but the severance payment field is growing much faster. Our clients span all industry sectors, including private and public sector companies.

Austria started funding pensions later than other countries in Europe, and we began with occupational pensions in the 1990s. In Austria, about 25 percent of the workforce is covered by additional pensions, financed predominantly by companies. It is also possible for employees to make additional contributions on a voluntary basis.

According to Mercer, APK is the best long-term performer among Austrian pension providers. How did the company perform in 2018?

It has been a bumpy road due to rising volatility in the capital markets. We haven't reached the end of the year yet and we already know that the macroeconomic environment has been affected by Brexit and Trump. I expect to be slightly down at the end of the year, but we have delivered above average returns. We have been able to build up buffers to cover such events. However, the capital market environment worldwide is affected by low interest rates, which will last longer in Europe than in the U.S. because of the euro crisis, and we have to take a longer-term view on investment and diversify our asset allocation.

“We have always invested globally and using a well-diversified strategy, with no bias.”

Christian Böhm, CEO of APK Pensionskasse

What is the relative importance of the risk levels in APK's pensionskasse?

The DC plan provides for people with different approaches to risk. But the other view of risk is opportunity, so higher risk level may mean a better pension in the long term.

Do clients have a choice of package?

That depends on the company.

Is the current macroeconomic environment in Austria a challenge or an opportunity for APK?

It is a challenge across Europe, but it is an opportunity for APK pension funds because we can deliver money in a way that individuals cannot. As a large institution we offer greater product diversification and lower costs .

What is APK's contribution to the socio-economic landscape?

Our approach to sustainability in finance is perhaps a little different. Sustainability development goals set by the U.N. are useful, but we have to decide which investments will have a positive impact.

In an economy dominated by small businesses, does APK favor international investments over domestic?

We have always invested globally and using a well-diversified strategy, with no bias. But we believe Austria offers many opportunities; some of its small companies are global champions in their own niches.


Austria has powerful but unknown economic players. How does APK use this to its advantage?

In the way we think about investments. We have links with different sectors of industry, which gives us a good picture of macro trends. We watch each sector closely for technological developments and R&D trends.


What is your final message to the readers of Newsweek?

We provide customized pensions plans for employees across different sectors. Austria is currently preparing for demographic change as more people reach retirement age in the future.

Austria has high living standards combined with high ecological awareness and natural resources. We do not have the big brand names, but we have highly successful companies. We know that Austria is rich with investment potential—you just have to know where the hidden opportunities are.



In Austria, about **25 percent** of the workforce is covered by **additional pensions**



APK has prepared itself very well in the last couple of years for the **changing environment**

Protecting families for generations



Consistently high investment yields and our global expertise have made APK Pensionskasse the leading independent provider of occupational pensions in Austria. With long-standing, satisfied clients that include everyone from major multinational companies to individual customers, you can be sure that your future is secure with APK.

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Ring in the future, the trick is in the trend

Georg Kapsch, CEO of the Kapsch Group, highlights the need for innovation

Kapsch Group is looking back on quite a challenging 2017/18 fiscal year. How do you access this performance?

Of course I am not really satisfied, but this is a situation which we have encountered and managed time and again in our more than 125-year-long history. Two of our four companies underperformed dramatically, and foreign exchange rates had a huge impact. But our main activities, including tolling, ATMS services and IT services all performed well and continue to do so.

In a speech you gave last year, you inspired an interesting topic of discussion—that digitalization is in fact a slow process and has been for decades. What are your current top three trends in IT and communications?

IoT, security and mobility are the main trends at the moment.

Kapsch is a market leader for tolling technologies and IT services. How will the arrival of the driverless car, the connected road and smart transport shape future strategies?

Kapsch is always challenging boundaries, and is ready for a future with these technologies. We provide infrastructure as well as devices for cars and platforms to manage and optimize traffic flow and safety.

“Industry is the driving force of innovation, but startups contribute with disruption. It’s a symbiotic relationship because without startups, there is no industry.” You lead a family business but what initiatives does Kapsch offer small businesses and how does Kapsch collaborate with them?

I disagree that without startups there would be no industry; it might be the other way round. But I agree that industry and startups are symbiotic, tendentially it is true that startups are the prime disruptors. Kapsch has always been an active disruptor. We have our Factory1 Accelerator program which fosters cooperation between us and startups primarily in the mobility industry. We believe in the value of startups but it shouldn’t be exaggerated.

France has Orange, The UK has Vodafone, Germany has Siemens; Austria has Kapsch.

As the head of the Federation of Austrian Industries you represent the interests of over 4,400 Austrian industry members and its related sectors. What do you see as the main challenges and strengths for Austrian businesses?

Currently the main growth-limiting factor is the lack of highly skilled people. The strength is definitely the highly trained and experienced workforce, combined with a small home market that forces companies to be adaptable and serve the world market.



The Mayor of Vienna, Michael Ludwig, commented that one of the main challenges of the labor market, business in general, and education, is digitalization. Do you agree?

I certainly agree that digitalization is a challenge, but I also think that our school system is not of the quality that society and the industry require.

You once said that a company should reinvent itself every ten to 15 years. That means roughly nine to 12 reinventions since Kapsch’s launch in 1892. What is your secret to constant reinvention?

The secret is to be open-minded and to always watch what is going on outside your own industry—the main threats and opportunities are usually found there. But this sort of observation needs dedicated strategies and approaches in how you lead and manage your company.

France has Orange, Germany has Siemens, the U.K. has Vodafone; Austria has Kapsch. When our readers hear the name what would you like them to think? Well I would not dare to compare my company with these giants. We are small in comparison but we are strong in our market. We are at the edge of technology and solutions and we have a specific culture that attracts our employees and customers. Our size and culture create loyalty between our shareholders and employees. Anyone with an interest in tolling or connected roads knows Kapsch because we are driving the market. The same applies to railway communication systems, and even to IT and IOT solutions in Austria and its neighbors.

What is your final message to Newsweek Readers?

We are incredibly strong in the growing market sectors of tolling and connected roads. The next growth opportunity will come from the development of the driverless car.



9 to 12 reinventions since Kapsch was founded in 1892



Austria’s strength is definitely the highly trained and experienced workforce

A delicate balance of sustainability and tourism

Elisabeth Köstinger, Minister of Sustainability and Tourism, discusses Austria’s advances in the tourism sector, its renewable energy and its status in Europe

What are your priorities for 2018?

In agriculture it is essential that we focus on our small-scale family farms. These high-standard mountain farms, especially in the western part of Austria, are a unique resource, and their continued development is vital.

Our environmental focus is tackling climate change, one of the fundamental challenges of our century; crucial for agriculture, energy, and tourism, and something that affects all my responsibilities.

Energy production is a top priority. Around 72 percent of our electricity comes from renewable resources, primarily hydro, but we aim to achieve 100 percent by 2030—that’s 15 years earlier than California. For energy storage we have great ambitions: we want every house in Austria to be able to produce electricity for itself, and by using storage and photovoltaic facilities this could be possible.

Finally, tourism is one of our economic pillars, at around 16 percent of the gross domestic product (GDP), and we are consistently developing our strategies. The Master Plan T aims to combine tourism with agriculture, specifically gastro-tourism. We test-drove the program in February and March and plan to launch it in the spring of 2019. Our tourism goals are also combined with issues such as digitalization.

How do you evaluate Austria’s tourism sector successes?

For winter tourism we are the world leader. We now aim to prolong the seasons, offering facilities to attract tourists during spring and autumn. Our record in traditional tourism is impressive, and in western Austria health tourism projects are prevalent, capitalizing on our famous lakes and spas.

“We were honored to be chosen for the most important conference in the tourism industry.”

Elisabeth Köstinger, Minister of Sustainability and Tourism

Does a regional and national approach produce the most effective results? We must highlight that regions are unique, and each has its own dynamism, development and spirit. Competition between regions creates an effective national system, but for exporting the Austrian brand, it’s crucial to have a united voice. The trick is to take a holistic approach. Uniqueness and regional autonomy are essential, but our sectors and patrons should be united.



How do you support family businesses in Austria?

Ninety-four percent of businesses in Austria are small and medium sized enterprises (SMEs). We provide facilities, data, statistics, and website support to SMEs developing on our cross-platform economy. We also offer subsidies and aid innovation. When companies create something, we provide the network.

Your neighbors Germany and Italy are emblematic tourist destinations. How does Austria’s tourism compare?

Naturally, Germany and Italy are competitors, but they are also partners, especially in mountain regions. We collaborate actively in winter sports.

The outstanding air quality is a USP for Austria. Another crucial point is security. With conflict in countries like Egypt and Turkey, many Europeans prefer to holiday in Europe, making Austria more attractive. A safe state is paramount for tourism.

The 17th European Tourism Forum was held in Austria, could you tell us more?

European Union tourism is decentralized, and we focus on working together better. The U.N. General Secretary of The World Tourism Organization highlighted our Master Plan T project as an excellent example of strategic planning in tourism, as it brings all the positive effects of regions and the industry together. As a whole it presents a suitable model for all EU countries. We were honored to be chosen for the most important conference in the tourism industry.

Finally, in our EU presidency, and at the forum, we have negotiated issues with the rest of Europe. We succeeded last week in reaching a collective agreement on the CO2 reduction for cars, and so we now have a responsibility to carry out these initiatives.



72 percent of Austria’s electricity production comes from **renewable resources**



16 percent of Austria’s GDP comes from **tourism**



Austria reached a record of **144.5 million** overnight stays in 2017

Discover culinary delights and welcoming hospitality in the Alps

Petra Stolba, CEO of the Austrian National Tourist Office, explains why tourists keep coming back to the Alpine country



What is Austria's unique selling point?

The main purpose of the Austrian National Tourist Office is to boost business and promote tourism in the country. We perform marketing activities abroad to increase our international scope and we ensure that communication is clear surrounding Austria as a tourist destination.

While we have to communicate all aspects of the country's tourism, Austria's most important unique selling point is different for different visitors. For many, it is the refined Austrian approach to hospitality—the country is world renowned for this warm, host-oriented and an interactive approach. Sometimes this escapes our notice, but thanks to extensive surveys we know that the Austrian touch is one of the reasons why tourists keep coming back for return visits.

At the core of traveling is the willingness to learn something new. This is what we try to communicate with our slogan: "Arrive and revive". The idea is that, when you return home, you are revived and ready to continue with work having experienced a different way of life. We do not engage with mass tourism and offer an indulgent experience into the Austrian way of living: culinary delights and welcoming hospitality.

Austria is well recognized as a traditional country with a strong historical and cultural background. This combines with our natural resources: the ability to go up a mountain and see the view, enjoy snow and take in the scale of these huge mountains is a phenomenal experience! From enjoying the rich culture of museums, history and live music in Vienna, to then experiencing the Alps through skiing or hiking—it's a winning combination.

"From enjoying the rich culture of museums, history and live music in Vienna, to then experiencing the Alps through skiing or hiking—it's a winning combination."

Petra Stolba, CEO, Austrian National Tourist Office

How is tourism developing in Austria?

The rise of the new global middle class means increased disposable income and Europe as a whole stands to benefit, as it is one of the destinations at the top of this group's travel hotlist. Indeed, Europe's growth in tourism in 2017 was a whopping 8.4 percent, which far exceeds any other region.

Austria is a small country with 8.4 million inhabitants and we are proud that we often rank in absolute numbers as one of the world's top 15 tourism destinations. The number of destinations has grown dramatically over the

last century and competition is now rife. In spite of this, Austria continues to perform well not only in arrivals but, more importantly, in revenues and in 2016, we had a 2.3 percent market share of global tourism.

As an industry, we have to make money and we are currently 16th best in the world at this, which we hope to improve. Crucially, as a predominantly Alpine country, there is no industry other than tourism in many regions. Winter sports and Alpine tourism are the main sources of income in places like Tyrol and it is, therefore, paramount that we manage a competitive tourism industry.

Hotels, for example, need to invest \$2 billion a year to maintain high-quality accommodation. Furthermore, in order to guarantee that we make the most of Austria's winter season, more than 70 percent of our slopes are equipped for artificial snow-making and, in addition to skiing, we now incorporate more all-round sports and activities. We are focused on the quality of our tourism, as this positively impacts revenues—affluent, high-income travelers are crucial to Austria's success.

What are the key challenges you are facing?

The biggest challenge is digitalization and the way this transforms the business model. The customer journey for tourism starts with inspiration, followed by information and booking. In the past, the tourist board would be the go-to option for inspiration. Nowadays, everyone is able to upload content to any social platform, so our ski slopes now offer Wi-Fi because we know how important it is for skiers and Alpine enthusiasts to inadvertently promote tourism in Austria.

Is gastrotourism an important sector in Austria?

The combination of agriculture and tourism is a fantastic blend. Tourism takes place in a space and we are creating a magical one through gastronomy by building regional connections with food producers and suppliers, for instance. Austria has the largest percentage of organic food farming in Europe—we love organic and regional food, and we see a great opportunity in linking Austrian regions with their produce. Plus, gastronomy and local produce encourage consistent tourist arrivals in all seasons, as tourists book restaurants based on culinary delights all year round.



Austria is one of the world's **top 15** tourist destinations



It has a **2.3 percent** market share of global tourism



Over **145 million** overnight stays every year

Sustainable development of Austria's hotel sector

Michaela Reitterer, president of the Austrian Hotelier Association, describes how tourism trends are changing to favor Austria



Could you provide an overview of your association?

The Austrian Hotelier Association (ÖHV) is a lobbying organization with over 1,400 members. It is important for the hospitality industry to talk with ministers and the government because tourism is the second most important branch of Austria's economy and every ministry has a connection to tourism. It touches everything because of the people working for us, the buildings that we create and the energy that we make—tourism is in Austria's DNA.

Our main priorities at the ÖHV concern laws, legislation and changing circumstances in Austrian tourism. Alongside the government, we face a significant challenge in the sharing economy and we also face challenges in sustainability, because tourism must grow with the environment in mind.

How would you evaluate 2018's performance in the hotel industry?

We had growth in every sector, from 5-star to 1-star hotels. We had an excellent year in 2017, so to continue growing in 2018 shows great effort. We can now reap the benefits and follow the path of quality and not quantity—this is what makes Austrian hospitality so successful and why people keep returning.

Tourists are moving away from exotic vacations and going back to their neighborhoods, countries and regions, and this is a trend centered on organic produce, being healthy and mindfulness—fortunately, all these things go hand in hand with Austrian tourism. Importantly, Austria also enjoys an excellent relationship between price and value, which makes it such a great destination. My message to potential tourists is: visit Austria! We are more than just the Sound of Music. We have incredible landscapes, culture and it is beautiful here—I am so proud to be Austrian.

"Visit Austria! We are more than just the Sound of Music. We have incredible landscapes, culture and it is beautiful here—I am so proud to be Austrian."

Michaela Reitterer, President, Austrian Hotelier Association

What are your priorities for 2019?

We are working very hard on the Ministry of Tourism and Sustainability's Plan T, a strategy that sets the direction in which tourism will develop. The plan involves discussions between all stakeholders in all destinations, from hotels to restaurants to farmers—they are all working together to ensure Plan T is a

'big picture' project. It is a vision for everybody and is helping to address the shortage of skilled professionals, digitalization and also new ways to promote Austria internationally.

What is ÖHV's international strategy?

As a lobbying group, we have a European focus and work underneath the European umbrella for lobbying organizations. Tourism has to be regarded as a big European project and we should work together, because each country has a different flavor. We are not competing with Spain, for example, because it is a completely different kind of tourism—ultimately, every country will find their guest.

How do you support small and medium-sized businesses (SMEs)?

94 percent of Austrian businesses are SMEs, and the government is well aware that family and smaller businesses are what empowers tourism. Hotel chains come and go, but we know that smaller, family run hotels tend to stick around longer.

Nowadays, most tourists tend to prefer smaller and local restaurants and hotels, and often avoid huge touristic places. Even shopping trends have changed: people like to buy their goods in smaller shops or even farms, and fashion has shifted away from big department stores.

Austria's strong SMEs is an advantage in this trend towards smaller commercial outlets. Nonetheless, we have to keep an eye on making sure that legislation is sufficient to help them survive.

You also operate the most sustainable hotel in Vienna, Boutiquehotel Stadthalle. Do tourists actively seek out sustainability?

We've found that guests actively look for sustainable solutions. Many like to experience the same conditions as they have at home: organic food, no air conditioning and they also want to know that we are producing our own energy. Our guests really enjoy feeling at home and this is how travelling will be in the future: a home from home.



Tourism contributes **16 percent** of Austria's GDP



2018 saw **growth** in all hotel sectors, from 1-star to 5-star



Every year, Austria welcomes **41.5 million** guests

Tourism profiles continue through new trends

Martin Winkler, CEO of the Verkehrsbüro Group, has his priorities firmly established



The Verkehrsbüro Group is a leader in leisure tourism, with subsidiaries across the CEE region. Could you give us an overview?

We comprise three areas: leisure tourism, which includes branches across Austria, small tour operators, and collaboration with other industries. Our turnover is \$740m million, and we offer services to 1.5 million tourists from over 60 countries.

Our business travel division has a turnover of about \$207 million, and has strong alliances across the country and the continent. And the third division is our hotels. We have national and international hotels as well as future projects, and we extend to other areas of hospitality.

What is the revenue and potential of each area?

Leisure tourism is our largest income, and employment is highest in our hotels. Our strength is in our diversity, combining incoming and outgoing business, B2B practices and private customers. We see high potential in our hotels, which provide opportunities in Austria and our neighboring countries, including Germany.

What are your priorities for 2019?

One is cultural change. We have a strong position in the Austrian market but to stay number one we have to strike out into the international trend and seek innovation. Digitalization is an area for investment, to ensure strong business and availability on and offline. And we continue to invest in the quality of our hotels in Vienna’s booming MICE economy.

“My focus will still be on our two success factors: our customers and our employees.”
Martin Winkler, CEO of the Verkehrsbüro Group

How will you maintain Vienna as a significant location for MICE tourism?

Our success in MICE tourism comes from our hotels and conference centres, and a very fast turnover. Everything is instant and online efficiency is essential. Investment in infrastructure and collaboration with local businesses will ensure our top position.

What is Verkehrsbüro’s USP in this competitive arena?

We aim to be a one-stop shop, offering all aspects of business travel, and we have proven expertise and reputation. We also stand out for eco-friendly business travel, which still has limited availability.

China now leads world tourism. What is your internationalization strategy, and how do you intend to tap into the Asian market?

China is currently fifth in our market statistics. To reach our international market we need to offer tailored packages according to different cultural tourist requirements.

We want to build international partnerships and train our staff to adapt to cultural expectations. Austrians are known for our charm, but we must also offer Asian visitors the best experience, and our product might need adapting for that market. We have the resources to accommodate this challenge, and we know that Austria’s hospitality makes our customers keep coming back.

Innovation recognizes and sets trends. How is Verkehrsbüro a trendsetter?

It’s not always easy. But our innovation is developing our MICE sector with new formats and digitalization. We offer a combination of offline and online services for everything our customers need, to provide a physical presence and online dominance. We embrace digital progress but we only use it for improvement.

What has been the impact of digitalization?

We want to offer a one-stop shop, that customers see as the choice for all their holiday needs in a streamlined, easy and interactive online space, and our next step is to condense that into a three-click process. We are a people’s business, but digitalization shapes everything, from our business strategies to individual jobs.

Where will Verkehrsbüro be in five years?

My focus will still be on our two success factors: our customers and our employees. Our vision is to keep our staff highly motivated and offer customers every possible option. Tourism is a growing market and for our shareholders we also want to encourage new investment.

What is your final message?

Verkehrsbüro is committed and passionate about hospitality, and beyond digitalization and investment, our focus remains on the people.



We offer services to **1.5 million** tourists from over **60 countries**



We offer a **one-stop shop** because we realize it’s people who are travelling



Vienna is a hub for **MICE tourism**

The historic city of Vienna with a modern perspective

Michael Ludwig, Mayor and Governor of Vienna, speaks about his vision for the future of his city



What are the main challenges in maintaining Vienna’s excellent status in business and investment?

We’ve achieved very high standards in public services in the last decade, particularly in housing where optimal subsidized housing keeps rents low. Public transport is also subsidized which means that it now has more users than there are drivers in the city, and our green and community spaces are excellent.

Vienna is one of Europe’s fastest growing cities, for which we have a series of expansion plans for inner and outer city areas. In fact it is now the second largest German-speaking city, after Berlin, and the largest of all for student population.

You were appointed mayor of Vienna in May. What are your investment priorities for social projects and other developments?

Digitalization is one of the main issues for education, labor and business in general, and I believe it is important to embrace this development together, for security in employment and to strengthen Vienna as a business location. We are already in a good position, with our dynamic startup community, highly-qualified staff, and the technical education provided by our academic institutes and universities.

“Particularly important to me is the continual development of Vienna as a successful business location, while encouraging social equality and cohesion.”
Michael Ludwig, Mayor and Governor of Vienna

Our population growth has led to several plans for urban expansion, which will be developed according to certain strategies, such as smart applications, combining different social groups, as well as a mix of different urban functions to include housing, leisure, shopping and business, and good transport links.

We also emphasize the community spirit. In our Aspern development we have organized a local events and community management group to give people the combined benefits of city and community living.

Soft urban renewal in Vienna preserves our historic architecture and renovates buildings, as well as prioritizing social development. We have received awards and financed many programs.

Vienna is also one of the most successful conference tourism destinations in Europe, and one of the major cultural capitals. Our Opera House is of

course world famous, and our museums and art galleries make up some of the best.

What are your tourism strategies for the coming years?

The Vienna Tourism Board chooses a different focus each year to appeal to different groups of tourists, which has led to a general increase across all ages and categories of tourists. Recently we featured art nouveau exhibitions including works from Klimt and Schiele.

What is your assessment of the impact of EAP so far?


We have two funds in Vienna for purchasing land for development, for housing and for business and industry. Biotechnology is another focus for private and state enterprises, universities and individuals, and we are seeing development in several specialties..

I want to give you the opportunity to add anything we’ve missed. And I would like to know your vision and the main challenges for the next few years, and how you intend to put Vienna on the map.


One of the points that is particularly important to me is the continual development of Vienna as a successful business location, while encouraging social equality and cohesion. I believe the social aspect is always at the forefront of development and trends. Digitalization is a perfect example of this: some people will benefit from it; others will feel left behind, so we have to maintain a social balance, which we can address with education.

I think we need the combination: economic and business development for the business focus, and digitalization with a social and educational approach to maintain cohesion.

We have a unique demographic in Vienna, with a population that is increasing rapidly at both ends of the cycle, so we will be faced with a dual challenge of providing good childcare and facilities for the elderly.



62 percent of people in Vienna live in a state-owned or subsidized flat



We have purchased **30 million square feet of land** for building projects and housing development

Education in Austria is excellent for some but needs a thorough overhaul

Heinz Faßmann, from the Federal Ministry of Education, Science and Research for the Republic of Austria explains why

Expenditure on education in the EU is estimated at 5.1 percent of the gross domestic product (GDP), and according to Eurostat contributes to reducing social inequality. What is the situation in Austria?

Recent figures put it at 5.4 percent, which covers all education from kindergarten to university. Considering Austria's aging population, this percentage makes the per capita investment higher than average.

Austria has the fourth-highest FDI ratio in the EU, and the current investment boom is now in its fourth year. What figures can we associate to education science and research?

The education system is financed either by the federal government or the federal states, with hardly any direct foreign investment. But the situation in the tertiary sector is different—universities and researchers rely heavily on third-party funding.

“We are investing large amounts in improving language skills so that pupils can keep up at school.”

Heinz Faßmann from the Federal Ministry of Education, Science and Research

The Austrian government has pledged to improve test scores on basic skills like reading, writing and math. What input from the government is there to address the profound need for reform in the education system?

Let me focus on one aspect of your question: our education system faces the challenge of immigrants who don't speak German. This is a direct result of our migration policies over the last 20-30 years. The majority of immigrants have a low level of education, which puts children at a disadvantage when entering the Austrian education system because they lack the relevant language skills. We are investing large amounts in improving language skills so that pupils can keep up at school, to help them achieve higher levels of education and better employment.

Austria's high standard of living makes it an ideal destination for investment, and one of the safest and best places to live in the world. How does all of this affect internationalisation of Austrian universities?

My answer is twofold: there is a significant number of foreign students at Austrian universities, a third of which are German, a third from southeast Europe, and a third from the rest of the world. EU citizens do not pay tuition



fees here, and third countries' nationals pay only a minimal fee, which makes studying here very appealing.

Secondly, R&D expenditure is among the highest in Europe. A lot of money is invested in research, at university and enterprise levels by private enterprises, and research-oriented companies are common.

The service sector in Austria is one of the strongest contributors to the GDP. How do you rank the relationship between Austrian public and private institutions? Are there any bottlenecks that will require intervention in the short-term?

One cause of bottlenecks is when traditional universities try to avoid intensive contact with enterprise, for fear of losing their independence if they are driven by companies' interests. But we are encouraging companies to respect the autonomy of the universities, and forging connections between universities and companies by highlighting the mutual benefits of cooperation.

What are your best points in science and research?.

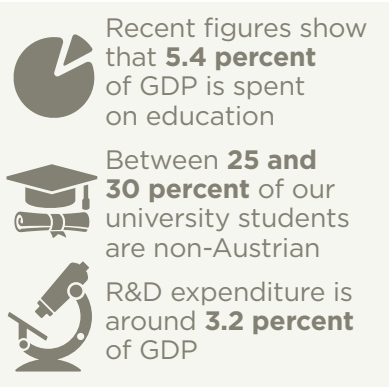
Austria is very successful in molecular biology, mathematics, informatics, pharmaceuticals, and particularly quantum physics.

What is your vision for the long term?

My long-term vision is for Austria to become an innovation leader. We need to invest in human resources through our education system as we are a country with few natural resources, and we will have to be smarter than other countries to be successful

Is there a final message for our readers?

Austria is a small country with big strategies. We have undertaken a paradigm shift to become a research country. Now it is our responsibility to expand and strengthen our position.



BOKU: The green university for a green economy

Hubert Hasenauer, rector at the University of Natural Resources and Life Sciences (BOKU) in Vienna, highlights the importance of taking an integrated approach to education

What makes BOKU a unique university?

BOKU was founded on the premise of building an educational program comprised of three pillars: technical, ecological and socio-economic. These pillars were as important for the success of BOKU in the past as they are today. Nowadays, we call this a “transdisciplinary approach” and it's something we have nurtured since 1872. Our university's foundation pillars make it unique in Austria. Typically, universities work in a specific sector but BOKU was founded on the basis that we must solve real-world problems. You don't acquire this skill if you educate students in just one discipline. Consequently, we require an integrated approach whereby we couple research and education. Our integrated approach explains why BOKU will never become a huge university. Maintaining an educational and research structure requires specific teaching tools, exercises in the field and lots of seminar work. Our professors must train students extensively but our successes speak for themselves—unsurprisingly, BOKU graduates are sought after and don't struggle in the workplace, and the majority are in assignments or contracts within six months of graduation.

Why is BOKU one of the fastest growing universities in Europe?

In a word, it's our topics. Prospective students are increasingly interested in environmental issues. They understand that critical problems cannot be solved in one sector and that by using our holistic approach it's much easier to solve real-world problems. The huge increase in intake also reflects the next generation's change in attitude. People are more interested in studying environmental issues, not just from a protection perspective but also from an economic perspective. These people ask themselves questions about how to make a good living without destroying the environment, for example. Crucially, there has also been a corresponding increase in job opportunities. There has been a demand-driven increase for “green” subjects, at the university and the workplace.

Our approach creates leaders, with our students learning an integrated way of thinking that can be adapted to different sectors. To give one example: an

“BOKU is very good at researching the impacts of climate change, and we are also proud to be leading researchers in avalanche control and disaster management.”

Hubert Hasenauer, Rector, BOKU



old classmate of mine now runs a bank in Hong Kong. He had no economic background and landed his job in finance because they liked his integrated way of thinking. Or look at Franz Fischler, former European Union (EU) Commissioner for Agriculture: he was a BOKU graduate and one of the most influential people in Europe, managing a large portion of the EU budget.

Could you share your views on the bioeconomy?

What we understand by the bioeconomy is the replacement of fossil fuels and related materials in our economy to tackle climate change. For instance, substituting materials with renewable resources and waste products, thereby lessening the need for oil or gas production. In all areas, we observe the whole life cycle—what we call the “life cycle analysis”. BOKU conducts thorough research into biorefineries too. In these processes, bio-based starting materials are converted into new products and tested to see if they can replace fossil fuel products. For example, lignin, a product of the paper industry, is a suitable substitution for formaldehyde. Using lignin as a substitute in adhesives, for instance, is fantastic as it is currently considered a waste product and formaldehyde is not good for health. Fundamentally, producing something using a bio-product can both make money and improve the health quality of products.



How else is BOKU influencing global change?

We cannot forget that climate change is a real and pressing issue. BOKU is very good at researching the impacts of climate change, and we are also proud to be leading researchers in avalanche control and disaster management. The bioeconomy is more or less a spin-off of the climate change debate because we believe that it is the solution to further impacts caused by climate change. Additionally, our name has become synonymous with the term sustainability and we are incredibly proud to be considered the sustainability university of Austria.

We promote science in every way

Dr. Anton Zeilinger, president of the ÖAW, and leading figure in quantum sciences, expands our vision

As president of the Austrian Academy of Sciences (ÖAW) and senior scientist at its Institute for Quantum Optics and Quantum Information, please give us an overview of the developments and strengths of the academic sector in Austria.

There have been significant changes in recent decades, with universities increasing their autonomy, which has led to progress individually and for the system in general. The Austrian Academy of Sciences has created several new research institutes in recent years which have a strong impact on scientific progress. Today, Austria is an international leader in quantum physics, as well as in life sciences and the preservation of our common cultural heritage.

Tell us about the focus and development of the Academy. What makes it stand out and what are its current activities?

We promote science in every way by covering a broad range of research in the natural sciences as well as in the humanities and social sciences. We have a high record of grants and awards, which is a valuable contributing factor to our success. One important step in recent years has been more autonomy on spending our government funding. Currently, we are developing a new campus in the city center of Vienna where we will have research facilities for hundreds of researchers and more space for public outreach.

“Quantum communication will be the way our future computers talk to each other.”
Dr. Anton Zeilinger, president of the ÖAW

You have been involved in the launch of the first quantum satellite and the first quantum encrypted video call. Please explain the importance of these advances.

Long-distance quantum communication will have two important applications. Firstly, it will be important for encryption and secure data. When you talk about encryption, everybody thinks of military applications, but most “security data” is commercial. Secondly, quantum communication will be the way our future computers talk to each other.

How will quantum communication affect us in our day to day lives?
Quantum research is still at a very early stage and its implications are



impossible to predict. Recently, the kickoff of the EU’s new Quantum Flagship program took place in Vienna and at the Academy with hundreds of participants. They discussed many new technological ideas. Researchers even talked about designing games for children based on quantum physics.

How are relations between the Academy and the U.S.?

We collaborate a lot with the U.S., mainly on individual research like my own. As an Academy of Sciences, which is not only a research organization but also a learned society, we have members in the U.S. and strong ties to the research community there.

What steps is the Academy taking to extend relations in today’s global collaboration?

We have connections with many other academies, particularly in Eastern Europe, with whom we have history, and also further east into China. We have agreements with nearly 50 countries but, basically, we collaborate with every industrial and emerging country.

Academia can be pivotal to economic competitiveness. Does the Academy have a role in Austria’s socio-economic development?

Through academic training, the Academy produces people of outstanding quality. We support young researchers very actively with scholarships to foster their career and we have a Young Academy comprised of excellent junior researchers from all disciplines. The education we provide is vital to the economic sector. And we are active in political dialogue, particularly with the parliament. These dialogues are pivotal to increasing mutual understanding.

Do you have a closing message?

I think the most important message for young people is to pursue their scientific curiosity.



We operate **28 research institutes** and we have nearly **1,700 employees**



46 ERC grants have been awarded to researchers at the Academy since **2007**

Facing the academic future with new perspectives

Rector Heinz W. Engl tells us about the university’s plans



What are your key priorities in order to continue the University of Vienna’s encouraging performance, e.g. achieving high rankings. How will you maintain this?

This university has 19 faculties, so excellent general ranking is a challenge, but we rank highly in important fields. A substantial increase in federal funding now means that we will have an extra EUR 200 million to spend on development and an additional 70 professorships, improving the teacher-student ratio and expanding our research capacity. We compete worldwide for professors, for example, in data science and quantum computing. Our increased funds and the attractions of living in Vienna make us very appealing. We also have strong research ties between faculties and with other universities, which is very exciting.

Your 2025 development plan addresses student mobility, additional professorships and a new budget. How is it progressing?

Funding is now based objectively on student and graduate numbers and research achievements, which means excelling in academia results in a higher budget. We also receive substantial third-party funding.

We intend to split the money between traditional professorships and the tenure track system, offering post-docs and young researchers a perspective towards a full professorship. Our recruitment system has changed completely in 20 years, making us internationally competitive. We recently hired professors from MIT, Harvard, Australia, and even Brexit refugees.

“Digitalization is a major topic in teaching, research and as a tool.”
Rector Heinz W. Engl

The Mayor of Vienna has said that digitalization is one of the main challenges for the labor market, business and education. Do you agree?

I do. Digitalization is vital for the future. We are implementing university-wide strategies to provide the basics of machine learning, AI and data science in all curricula. Students will need to achieve digital skills to enter the labor market; ultimately, every student must have an understanding of digitalization, the processes, and the tools available to them. Digitalization of course also dramatically changes our approach to research. In a way, digitalization is a major topic in teaching, research and as a tool.

Vienna now welcomes Central European University (CEU) postgraduate

students. What does this say for Austro-Hungarian cooperation?

Competition in research and teaching is a good thing. Between the two universities, we maintain excellent cooperation and support collaboration. The CEU will be welcome here. We run Austro-Hungarian exchange programs for students and also work together in different research fields and in scientific publications. Interestingly, the University of Vienna is the only institution in Austria where students can study Hungarian as a scientific discipline.

International students make up 27.2 percent at your university. How will this increase be maintained?

Foreign students are welcome here. Our more relaxed application process attracts especially high numbers of German students. We have introduced additional entrance exams in order to maintain a balanced intake of students into different fields. We have a high percentage of international students and professors. In some ways, we consider ourselves more European and Global than Austrian.

How does the university contribute to Vienna’s place in the Quality of Living Top Ten?

Living in Austria is attractive as witnessed by recent international rankings. This is enticing students and professors. The quality of teaching and research at Viennese universities and our international population certainly contribute to these rankings.

What advice do you have for new students here?

To be dedicated and focused. The University of Vienna offers a wide range but you should find your area and use the chance of the bachelor-master-system to get a broad education. We need to find a way not to encourage a “lazy” approach. Regulation could help more by providing guidelines.

Do you have a message for Newsweek readers?


Austrian universities are on the up. With autonomy, more money, and new regulations, in a few years’ time our education and research will be even stronger.



27.2 percent of students are international



\$200 million extra to spend



In 3-4 years’ time we will be even stronger

Educating the international business leaders of tomorrow

Edeltraud Hanappi-Egger, rector of Vienna University of Economics and Business, reveals the reasons behind its strong international reputation



Could you provide an overview of the Vienna University of Economics and Business (WU)?

We are a specialized university and the only university for business and economics in Austria, although there are some smaller faculties dedicated to business studies across the country. WU is one of only two universities in the German-speaking world to have triple accreditation by EQUIS, AACSB, and AMBA—strong evidence that we focus on the quality of our education. Over 2,300 people work at WU and more than 1,500 of them are academics.

We have roughly 23,000 students, mainly in the graduate program. Most study our German language program but we were the first public university to offer an English-language bachelor program in business and economics, which was immensely successful. We also have 15 masters’ programs of which eight are taught completely in English, and we have a PhD program in international taxation, where 90 percent of students are international. We will soon be evaluating our master’s program portfolio in order to see what our international outreach is and what more we could offer.

What factors attract international talent to WU?

We often find that our international reputation is a strong contributing factor behind students’ decision to study here and they can choose between more than 240 partner universities around the world for semesters abroad, of which 47 are in the U.S. We like to offer balanced exchanges to strong business

“WU is one of only six universities in the German-speaking world to have triple accreditation by EQUIS, AACSB, and AMBA.”
Edeltraud Hanappi-Egger, Rector
Vienna University of Economics and Business

and economics schools and are always looking for good new partners. Our rankings, ratings and program members also go some way to explaining our international success: in the Financial Times and International Management rankings we are in 13th position and we are in the top 20 for the QS rankings in quantitative finance.

Our beautiful campus’ situation in Vienna is another strong selling point. It is one of the best places to live in the world and EU students do not pay tuition fees, while non-EU students only pay about €700. Plus, many students choose Vienna for an MBA or executive education program at our excellent WU Executive Academy because we are the gateway to Central and Eastern Europe.

Although we are a specialized university, at the same time we have an interdisciplinary space and programs that include business law, social economics, languages and economics. The rector can very quickly and easily access different faculty members and research groups to offer new research and cutting-edge programs.

How does the WU collaborate with the government and businesses?


We negotiate a performance contract and budget with the government for three years and can therefore be very autonomous in our decisions about, for example, study programs and investments. Our unique selling point is that we are strongly committed to playing an important role in Austrian society as well as in the international arena. As an economic and business university, it is natural that we also have very strong connections with the business world.

What new projects are you currently working on?


We have a new funding system that depends on the number of active students, and we will invest to see what students need and how we can help them to become more active. Secondly, digitalization is an important issue. From October, we will be operating a pioneering strategy in this regard that will make us a role model: I will have a new management team and a vice rector for infrastructure and digitalization because, over the next four years, we will focus heavily on creating an e-campus. We are already starting to think about the role of online versus onsite—what can we provide on online platforms, and for which purposes or interactions should students come to universities? These questions will pave the future and it is a huge project.

Not only are we looking at digitalization’s impact on teaching but also on research and research support. Furthermore, on how can an e-campus lead to an efficient, state-of-the-art administration.


Internationalization is another key focus. We are aiming to expand our international network, and become an international education hub and faculty with a strong global position. We will also continue to attract the smartest students and educate them to be game-changers and leaders.



WU currently educates **23,000** students



It partners with over **240** international universities



The FT ranks WU **13th** for its masters in management

The new flagship for scientific reasearch and education in Austria

Thomas Henzinger, president of the Institute of Science and Technology, introduces an institution that is racing up international rankings



Could you describe the Institute of Science and Technology (IST)?

In 2006, the Austrian government decided to create this institution as the flagship operation of Austrian science and as a visible institute that links seamlessly into the international network of top science and graduate education. We try to be a magnet for all levels of scientific expertise, from doctoral students to post-docs to professors.

We recruit internationally and cover life sciences, including biology and neuroscience, as well as physical and mathematical sciences. In our ten years of existence, we have recruited 50 research groups, each headed by a professor, and we are still growing by five new groups a year. Our goal is to double in size from our current position.

We have room for expansion at our beautiful campus in the Vienna forest and one unique aspect of IST is the excellent interaction between all the fields that are based there. Much of the interesting science nowadays happens at that interdisciplinary interface, where mathematics meets biology, or computation meets physics. We have top scientists from different fields meeting casually in the cafeteria as well as in a professional setting in our buildings. That gives us a unique culture and, because we started from scratch, it has been relatively easy for us to grow in this way.

What are your current priorities?

We are on a steady growth path. 20 percent of students are currently Austrian and, in a few years, we will have roughly 100 doctorate students graduating every year, as well as 100 post doctorates. We are trying to

“We have topped the European Research Council’s rankings—relative to our size, we are the best institution in Europe.”
Thomas Henzinger
President, Institute of Science and Technology

strengthen our existing fields and trying to add new ones—for instance, our new chemistry building will be ready in 2020 and we will hire our first chemists this year.

We always have multiple construction sites on campus. The next science building will be important, as will our technology park that is well underway. Top science is being done here and we will soon have interesting spinoffs—we already rent out space to five small companies on campus, which will soon move over to the technology park. We have also

just selected the architect for our all-important visitors’ center. We want to be open to the public, and be able to tell and show people what goes on here. One of the missions of this institution is to make the importance of science clear, while also showing how our scientists contribute modules to education, and we already work with local schools at all levels.

The most important part of my job is recruiting, as we try to recruit from the best applicants worldwide and receive thousands of applications for every position.

What is the IST’s approach to research and innovation?

The main reason IST has reached eighth place on the Nature Index within ten years is that we have not simply followed a strategic plan of what research we should do. Instead, we have tried to recruit the best people—independent of research area. Every institution that plans strategically in research always focuses on the same few topics, which means that they are all competing for the same people.

In science, however, nobody knows what the important developments will be in five or ten years, so the best strategy is just to hire the best people. It helps, of course, to be close to the city that is regularly voted as having the best quality of life in the world.

If we stick at this strategy then, over time, our reputation will approach that of the best scientific research institutions in the world. We are on the right track as we have topped the European Research Council’s rankings—relative to our size, we are the best institution in Europe—and two-thirds of our professors are funded by the European Research Council.

What are Austria’s strengths in life sciences?

Life sciences are one of the absolute strong points of the Vienna region and it is where the Vienna BioCenter is located. We also have the medical university, several academy institutes and IST. If we combine all of these forces, we are one of the most exciting areas for life sciences in Europe.



Ranked **8th** best young academic institution by Nature



IST expects to **double** its research capacity by 2026



IST is in **1st place** for European Research Council grants

Austria’s potential for businesses covers the whole spectrum

René Siegl, Managing Director of ABA Invest in Austria, shares some insights into the future of Austrian investment



ABA’s consulting services contribute huge amounts to investment and job creation. What was your impact on Austria’s foreign direct investment (FDI) in 2017?

Generally speaking, FDI is not as important in Austria as it is in other countries. SMEs form the economic backbone here, and are often among the world leaders in their niche markets.

Austria still lives with some of the most mistaken clichés—our economic horsepower comes not from stallions but BMW-manufactured car engines, and rather than rural miles of rolling countryside, we are one of the world’s richest countries with a robust manufacturing sector.

What is your projection for 2019?

We expect another record year—the fourth in a row, even though the economic outlook is not as stable as it was 12 months ago.

What are ABA’s strategic objectives for the next few years?

Our annual goal is to beat last year’s results. And to attract specific talents into Austria, firstly from the EU, then from further afield, then from the Middle East and Asia. Acquisition of talent is key to economic growth.

“One advantage of being a small country is that all the major players know and communicate with each other.”

René Siegl, Managing Director, ABA Invest in Austria

Austria ranks among the top investment destinations and the best and safest places to live. As Brexit is causing many international companies to relocate from the U.K., how does Austria compete?

We have seen some U.K. investment because of that country’s current situation and we are looking into the supply chains of specific companies to see what Austria can offer. As a result of Brexit, the U.K. is one of our key markets for investment targeting this year.

We believe that Austria offers an excellent alternative to the U.K. for companies operating in almost any sector—apart, probably, for much of the financial sector, where it is difficult to compete with Frankfurt and Paris.

What do you think of the levels of collaboration in Austria between public and private institutions? Is there a bottleneck that will require short-term intervention?

No. One advantage of being a small country is that all the major players know and communicate with each other.

How long does it take to set up a business here? Are there any restrictions?

There is some current specific political debate, but generally there are no restrictions for foreign investors in Austria. With good organization, it would take ten to 12 days to set up a business here. Austria is a secure and well-functioning environment.

Where do you most want to see new international investment in Austria?

There are no governmental priorities. Most investment is in IT and business services, then in tech and general pharmaceuticals, biotech and so on.

ABA offers Location Austria for film production. Have you won any awards yet?

Not yet, but last year scenes from James Bond and Mission Impossible films were made here. In fact, the Austrian Chancellor was assassinated in the Vienna Opera house just opposite where we are now!

How would you convince an investor that Austria is the best destination in Europe?

Firstly, Austria is one of the most stable countries worldwide to create a business plan—if you set up a five-year plan, then you can be sure that in five years everything will be on track. Secondly, Austria has unequalled knowledge and connections to CEE countries outside the region itself. From tax advice to PR consultancy, our businesses often specialize in specific CEE knowledge. And thirdly, Austria offers excellent incentives, particularly in research and development, which is a rare selling point in Europe.

What is your final message?

We are working hard to change the perception of Austria from a tourist destination to a highly successful economic hub.



In 2017, ABA provided consulting services to **344 international companies** setting up business operations...



Accounting for investment of **\$825 million...**



and the creation of **2,672 jobs**

A successful first year of growth across the board

Hartwig Löger, Minister of Finance, explains how this year has been so good and where Austria is heading next



Your first year in government has seen strong economic growth. What are your priorities for 2019?

Already last year we have laid the basis to achieve the first budgetary surplus in 65 years in 2019. We can now focus on sustainable budgeting that will reduce debt, taxes and administration costs.

A cross-ministry administration program will be introduced that amounts to total savings of \$2.9 billion per year from 2019 onwards. Measures to decrease the tax ratio will also address families and save them \$1.7 billion.

How does the ministry support small businesses with new technology?

By preparing conditions to boost investment and incentives. Our industry strongly supports small and medium-sized enterprises (SMEs) as the backbone of the Austrian economy.

We will improve regulations for digitalization and technology, with the Fintech Advisory Board, composed of experts in economy, regulation, politics and bureaucracy; we will invest in infrastructure; and we have opened the third market for SMEs.

How does the Europe that Protects policy affect monetary policy?

It is now more important than ever to strengthen Europe. Tensions through the world are building. The Europe that Protects policy clearly deals with topics like migration and borders, but it is also essentially about economics. We need clear rules on European budgets to keep the Eurozone strong and need to make sure that member states stick to them.

“Our international status for investment, education and culture makes us a European hub in the modern world.”

Hartwig Löger, Minister of Finance, Austria

What is the goal of Austria’s tax reforms?


The main goal is to reduce the rate to 40 percent in terms of GDP. We thereby make sure that everyone in the country has more freedom and less state restrictions.

Hence, by reducing taxation on labor and the economy, Austria remains competitive in comparison to its neighbors that offer low tax rates, especially on profits.


How will the EU elections and Brexit affect Austria in the EU?

I am confident that there will still be a pro-European majority after the EP elections. With regards to Brexit, we know that there will be no winner, so we must ensure stability with regards to EU finances and secure future strategies. Brexit in the end can also be a catalyst for modernizing the budget and increasing efficiency for a smaller union.


How will Fintech week and the release of \$1.7 billion of bonds benefit Austria’s financial sector?



The main goal is to reduce the tax rate to **40 percent**



Our **first** surplus year in **65 years**



Strong support for developing the **Fintech** industry

Austria is already a leading player in the field of innovation. Building on this, the Fintech board is creating a legal framework to support the development of this new market, and we are already having positive experiences with regards to both blockchain technology and crypto assets.

Fintech is teaching us a lot about how to balance the regulatory framework for both old and new models, so that we can develop fair taxation of the economy, and opportunities for traditional and innovative businesses to prosper.

How does the economy make Austria a top country in which to live and invest?

Austrian growth is very positive for labor, investment, and personal spending. The GDP is strong, bond yields are favorable, and there are no macroeconomic imbalances. Our tax reform provides for further positive results. And our international status for investment, education and culture makes us a European hub in the modern world.

What is your final message to our readers?

I want to emphasize two things. Firstly with its strong economic and financial potential, Austria has much more to offer than its traditionally famous attributes of mountains and music.

And secondly I want to stress the “Yes We Do” mentality of this new government. In just one year we have made remarkable progress, and we intend to continue the success of our measures and programs into the future.

Safe haven government bonds attract investors

Markus Stix, Managing Director of the Austrian Treasury, on the growing success of the Republic’s bonds and innovative operations



Could you provide an overview of the Austrian Treasury, which is about to enter its 25th year of operations?

We are Austria’s debt management office and responsible for the federal government debt on the Republic’s balance sheet. Austria sticks to its very conservative debt-management strategy. We have increased the average portfolio tenor to ten years and decreased interest cost. In 2018, the average interest rate of total funding was 0.23%. Never in its 100-year history did the Republic fund itself at lower levels. And 95 percent of our debt portfolio is on a fixed-rate basis, which means that it is very resilient to increases in the overall interest rate. This helps the Ministry of Finance to keep budget expenditures stable and predictable.

To what extent will Austria’s current economic environment affect government bonds?

Austria is well positioned due its internationally competitive economy. Our export structure is highly diversified and we are the least exposed European country to Brexit according to S&P, as we have more of a focus on the Central and Eastern European region. Austria also scores very well in terms of internal and external macroeconomic imbalances. Furthermore budgetary consolidation is on track with government debt levels declining rapidly.

“Austria is a safe haven for investment with higher yields than Germany—it offers the perfect mix for a bond investor’s portfolio.”

Markus Stix, Managing Director of the Austrian Treasury

In September 2017, Austria successfully sold Europe’s first 100-year bond. What inspired the bond and how do you explain its success?

Austria has a long track record regarding capital market innovations. For instance, it was one of the first sovereigns in Europe to switch from paper-based to fully electronic bond auctions. We introduced 70-year bonds in 2016 and, on the back of their success, started discussions with the government about 100-year bonds, spoke to our 21 primary dealers and many investors. They wanted to extend duration and, with a favourable market backdrop, we decided to go for it. We issued the bond in September 2017 and it was a huge success—the order book


was three times oversubscribed, a reaction nobody expected. If we look back at our 10-year bond yields over the past 40 years, they were about 6 percent on average, so the 100-year Austrian bond with an annual 2.1% coupon paid until 2117 will be an absolute winner for taxpayers. In total, the bond has now more than €4.5 billion outstanding, making it the largest ultra-long bond worldwide, and it is doing very well in secondary bond trading. Investors like pension funds and insurance companies love it.

In October 2018, Austria became the third country, after Australia and Thailand, to successfully trial blockchain platforms for issuing government bonds. What is your approach to this technology?


We use blockchain technology during the auction procedure in terms of validation of reports sent to all primary dealers. This additional layer of security helps to underpin confidence and trust in the auction process, and further strengthens the good standing of Austria on the capital market. The new government establish an Austrian Fintech Advisory Board which drives innovation in this area. For the first time, we have all stakeholders around the same table—including the Ministry of Finance, the regulatory agencies, Austrian National Bank, law firms, new fintech companies and commercial banks—and they are debating and challenging what is possible and what will be allowed.

Why should international investors choose Austria?


Austria is a safe haven for investment with higher yields than Germany—it offers the perfect mix for a bond investor’s portfolio. In our 2018 bond auctions, we have seen the highest demand for the past ten years, with an average oversubscription rate of 2.6 and we have also had an increase in secondary market turnover. More and more, the investor community is recognizing Austria’s attractiveness.



95 percent of the Austrian Treasury’s portfolio is fixed rate



Total issuance in 2019 will be **€30-33 billion**



2018’s bonds were oversubscribed **2.6 times** on average

Austria, the gem of Central European banking

Anas Abuzaakouk, CEO of BAWAG Group, the fourth largest bank in Austria, discusses Austria’s financial capabilities and BAWAG Group’s expansion strategy



Could you give our readers an overview of the Austrian financial sector?

Austria is a hidden gem in banking. If we look at the whole Germany-Austria bloc, gross domestic product (GDP) is 3.6 trillion euros: Austria is probably the most stable region across all the developed economies. For consumer debt, retail loans as a portion of GDP are at roughly 40-45 percent, compared to about 50 percent in the EU. Levels of household debt are among the lowest in the EU.

While stakeholders often look to emerging markets from a banking standpoint for growth; the 3-percent growth and credit dynamics of the Austrian economy makes it one of the least levered countries, which is a real positive factor. The U.S. has debt levels of about 240 percent and has been de-leveraging; the Organisation for Economic Co-operation and Development average is around 210 percent; Austria and Germany combined are at 130-135 percent. All in all, Austria shows 3 percent GDP growth, a low level of consumer debt, and natural credit expansion because the market is underpenetrated from a credit standpoint.

What are the key elements that explain BAWAG Group’s success?

Austrian banks are a gateway to Eastern Europe, but we have no Eastern European exposure. 75 percent of our business is in Austria and Germany, but predominantly Austria. With a strong macro framework, our viewpoint is simplicity and efficiency. During the post-financial-crisis period, we found that the best way to connect with customers is to simplify our approach.

Being transparent, understanding the terms and conditions, and offering a fair price is a winning formula. Banks can be overly complicated and not transparent enough. Changes such as simplifying the institution and its product range while improving transparency really resonate with the customer base. The number of Austrian banks looking east, west, and to the domestic market also speaks for the dynamism of the Austrian economy.

What are the EU’s main regulatory and political barriers?

I’m very supportive of all policies that have been put in place by the EU.

“The 3-percent growth and credit dynamics of the Austrian economy makes it one of the least levered countries, which is a real positive factor.”

Anas Abuzaakouk, CEO of BAWAG Group

The European Central Bank (ECB) is our main regulator and it continues to try to level the playing field and create a unified banking union. We’re still not quite at that point, but the ECB has been tremendous in getting past national barriers. On a national level and with some of the gaps that exist, the ECB tries to address non-performing loans across Europe and ensure that banks take the right corrective actions. While others might not feel the same way, the ECB has done wonders to level the playing field.

How do improvements in technology affect the banking sector?

The question we should ask is how technology enables processes that will improve low value-added activities. We see technology as a way to spend more time with customers and provide better advice. We want to make sure that we have more effective and practical advisory sessions with customers. However, we also need to use technology to expand our reach. If we look at the proliferation of branches in any of the regions across the EU and at customer flow in branches, it’s quite challenging. New technologies require us to rethink how we can engage with our customers and provide them with 24/7 access.

How does Austria stack up against the rest of the world?

Austria is a dynamic country and a gateway to the east and west—with particular potential for BAWAG Group to the west. The banking system and specifically the amount of leverage in terms of assets to equity make Austria one of the least levered countries. We can compare the U.S.’ leverage in its pre-financial crisis stat, in terms of assets to equity, which was upwards of 20. Nowadays, the U.S. has a leverage level of between 10 and 12. The Austrian banks have the same level of leverage as they had before the crisis, which is a competitive level across Europe. We take great pride in the local regulators, alongside the ECB, in creating a stable banking environment.



Combined GDP of Austria and Germany is **3.6 trillion euros**



BAWAG Group conducts **75 percent** of its business in Austria and Germany



Austria is a low personal debt country: retail loans as a portion of GDP are roughly **40-45 percent**

Faster than the German economy: Three years of economic progress

Professor Ewald Nowotny, Governor of the central bank of Austria (OeNB), explains Austria’s monetary policy and recent financial successes in Central Europe



In 2012, Mario Draghi, President of the European Central Bank (ECB), said that ECB was ready to do whatever it takes to preserve the euro. How do you assess their actions, and are we better off today?

We are clearly much better off today. The actions taken by Austria since Draghi’s declaration have been effective. There was a risk then that the eurozone would break up—the re-denomination risk—and there is no such risk today. Markets fully accept the existence of the euro, and we have confidence in the markets. What the ECB did, like the Federal Reserve in New York Fed Board of Governors, is decrease interest rates. We have one rate, the deposit rate, which is negative. The policy interest rate is still zero.

The successful bond purchasing program that we launched has also put us in a position to begin the normalization of monetary policy. We have mimicked the Fed’s strategy, and at the end of last year we stopped the asset purchase program. We maintain a low interest rate, and we have also publicly declared that we will continue to buy stocks. We do not foresee a reduction in the balance sheet. Fundamentally, we are doing things that are similar in style and structure to what has been done by the Fed, but at a later point, because the economic cycle develops later in Europe than in the U.S.

“Our growth rate has been above the EU average for the past three years.”

Ewald Nowotny, Governor of the central bank of Austria

What are the strengths and the crucial factors of the Austrian economy?

The Austrian economy has grown sharply in recent years, and our growth rate has been above the EU average—and above the German growth rate for the past three years. We anticipate a 2.7 percent-growth this year, and a robust growth rate of 2,0 percent in 2019.

Growth rates are impressive: unemployment is below the European average and we have had stable labor relations for several years. We have the lowest number of strikes per 1000 employees, and the fewest hours lost to strikes. Our education and vocational training systems are excellent, which means they turn out skilled workers. And we have a strong infrastructure, having invested millions in our railways. Vienna, of course, is a European

hub of online systems with excellent connectivity.

We have traditional industries such as iron, steel, and chemicals, which today are booming. And research has brought an influx of foreign investment, from large companies like the German pharmaceutical company Boehringer Ingelheim, who are building their second-largest research center here. Austria is also home to Swiss pharmaceutical companies, and we have a strong automobiles and parts industry—one example is the manufacture of Jaguar’s new electric car here.

We now have immense investment in the electronics industry, which is closely involved with Austrian universities. We have excellent technical universities in Vienna and in Graz; in fact Graz is the automotive center for Austria. The university where I used to teach, the Vienna University of Economics and Business, is an education center for the whole region. Many of the new managers in Central and Eastern Europe are colleagues from this university.

How do you evaluate the Austrian banking and financial services sector for EU and global players?

The Austrian financial sector has traditionally held a strong position in Central and Eastern Europe (CEE) and some of the largest banks are Austrian-owned. We see its structure as both Austrian and Central European. In practice, this means that the biggest banks have to be CEE banks, serving Austrian industry and the region overall. We are a financing hub for the whole region. Our style is more conservative, with no major investor banking activity; the clear focus is on lending to consumers and industry. We have, like Germany, an important number of small and medium-sized enterprises (SMEs). For SMEs, bank financing is extremely important. Given the structure of our economy, our financing system is essentially a bank-based system, unlike in the U.K. or the U.S., where capital market financing plays a much bigger role.



The Austrian banking gateway to Central Eastern Europe

Johann Strobl, CEO of Raiffeisen Bank International, one of Austria’s leading financial institutions, sheds light on the country’s vital role as a Central Eastern European (CEE) partner of choice for banking services



Could you provide an overview of the financial sector in Austria?

Austria is quite small and so, after the fall of the Iron Curtain in the ’90s, some Austrian banks took the opportunity to develop business in CEE. Three banks started working there on a large scale and two on a smaller scale. The big three were Erste, UniCredit Bank Austria and Raiffeisen—and we have all developed successful CEE businesses. Since the global financial crisis in 2008, we have seen a phase of consolidation that has gone reasonably well. The Austrian banking system now has a sound capital position, it has reasonable leverage and its earnings capacity is excellent. Austrian banks have optimized their businesses in CEE countries as well as in Austria—and they have been incredibly busy over the past 10 years, building more efficient and better organizations. Overall, I would say that Austrian banks are performing well now.

What differentiates Raiffeisen Bank International from the competition?

Internationally, we are a mid-sized regional banking group with €140-150 billion in total assets and our primary business is traditional banking. We manage small activities in investment banking but in essence we serve corporate and retail customers. What differentiates us from many others is that our network in CEE is very large.

What are the advantages of seeking financial services in Austria as opposed to, for example, Frankfurt?

Frankfurt is so international that there is little focus on the region that Raiffeisen covers. All the CEE expertise and engagement is in Vienna. Certain banks in Frankfurt have a strong footprint in Poland, for example, but if you want to cover the whole region an Austrian bank would be the partner of choice. Ultimately, Vienna has the know-how and experience to understand and navigate the cultural differences across every country in CEE.

What are your strategies for remaining at the forefront of digitalization?

The majority of our customers want to have the best of both worlds. They

“Vienna has the know-how and experience to understand and navigate the cultural differences across every country in CEE.”

Johann Strobl, CEO, Raiffeisen Bank International

want an excellent customer experience on their mobile phone and online, but most of them still want a person-to-person service. For critical financial decisions they want the advice of their relationship manager. Consequently, our strategy is to offer both digital and customer-facing roles to a high level.

How are you harnessing blockchain technology?

We have joined R3, the international blockchain technology consortium, and built up our capacities in blockchain. We find the technology exciting and are now in an exploration phase where we are considering the areas in which it could work best for us. We have a couple of ideas that might work and are cooperating on those with industry partners.

What are the main regulatory problems you face working in the EU?

The stumbling block with EU regulation is that it creates an environment in which complex developments make it challenging to operate. We have dominance and guidance from the European regulators and we also have local regulators in every country, which develop their own regulatory approaches—this creates a lot of complexity. Recently, European discussion has revolved around resolution activities and everyone is working on their implementation. But we also operate in countries that are not members of the EU—they may find inspiration in the EU’s regulations but they are not bound by them.

What is your hope for the future of banking in CEE?

A reader who is not familiar with the region might think that it is homogeneous. In reality, the countries within it are entirely different: some have developed very well and others still need time to reach their potential. The hope for the future is that these states can better manage their internal restrictions. If they are politically active enough to remove restrictions—for example, by reforming their legal systems—we could enter another strong growth phase in the region.



Austria is banking on an international future for investments

Helmut Bernkopf and Angelika Sommer-Hemetsberger are directors of the board at Oesterreichische Kontrollbank AG (OeKB)



Could you tell us about the development and current state of Austria's financial services industry?

HB: The 2008 financial crisis and 2009 was a low period; the whole European banking sector was affected, but generally we have kept going upward. The weak economy was problematic, but in 2016, when finally all the Austrian and European measures took effect, we were able to begin recovery, and since the second half of that year we have been operating from a solid and healthy position.

What makes OeKB different from other financial institutions?

HB: We have an agreement with the government to be Austria's export credit agency so we can insure and finance certain exports, and we can finance exports and investments that have a positive effect on the Austrian economy. To complete these activities we access capital markets to refinance businesses. We issue bonds under the guarantee of the Republic of Austria.

ASH: We operate in several other business sectors and we are the official office where prospectuses are filed. We also auction the Austrian government's bonds, and we do the clearing for the Vienna Stock Exchange. A lot of this infrastructure business is not visible to the public; it relates to the function of the capital markets and covers lots of small services. Our agreements with the government also extends our work into a variety of atypical banking areas.

What about your energy market services and development financing?

ASH: Our energy market services provide financial clearing and risk

“Since the second half of 2016 we have been operating from a solid and healthy position.”

Helmut Bernkopf,
Director of the Board, OeKB AG

management. As the development bank of the Republic of Austria, Oesterreichische Entwicklungsbank offers financial solutions for private-sector projects in developing countries which are economically sustainable and have positive impacts on development.

OeKB also provides other services. How do your financing services promote Austrian businesses abroad?

HB: We support, with the mandate of the Republic of Austria, exporters by insuring them where private insurers cannot cover political or economic

risk. This benefits countries where risk is higher—in areas like infrastructure or medicine, who receive quality products, and the Austrian companies who are able to expand their markets. We also provide attractive financing to help meet export demand.

Austria is considered a financial center for CEE. How has OeKB's reach enabled growth?

HB: By insuring, with the mandate of the Republic of Austria, exports to the non-marketable risk countries there, and by supporting Austrian investments also in CEE regions.

ASH: The stock exchange has a CEE focus too. We do support there with our various capital market services.

Why should companies use financial services in Austria?

HB: Austria's financial and capital market is stable and has a good reputation. There is also a strong link to CEE. We do offer an attractive deal to Austrian companies providing them with many services that promote economic growth and strengthen Austria as a center for global competition.

How do you stay ahead with digitalization?

ASH: We actively seek innovation; working with startups is an effective way of exploring new technologies and ideas, and promotes knowledge transfer and collaboration. We have a new innovation space that creates a testing ground for creative thinking and new projects. In Autumn 2018 we went live with a blockchain technology-based application. This technology is used for data notarization for reports from Austrian government bond auctions.

What are the current challenges facing you and the wider economy?

HB: Any changes that hinder free trade and growth are a threat to our business. As a relatively small economy Austria depends on exports, free trade and free movement of goods. Trade barriers will not jeopardize our business model but will put pressure on the growth potential of Austrian exporters, so we will be keeping a very close eye on these trends.



Brexit, security and migration are the challenges of today

Ambassador Peter Launsky-Tieffenthal, Spokesperson for the Federal Government of Austria, puts his country in prime position to face the future

Hosted by Austria, the Informal Summit of Heads of State or Government in Salzburg discussed three major issues: security, migration and Brexit. Please give us your views, and the government's position and priorities on EU security, the ongoing migration crisis and Brexit.

The Informal Summit in Salzburg in October did indeed highlight these three major challenges.

We confirmed the Council agreement from June on migration, in which member states pledged to jointly address the issue. The commitment includes strengthening external border protection, and cooperation with third-party countries. Federal Chancellor Sebastian Kurz has been particularly vocal about the last point, promoting the need for solid and long-term partnerships with African countries such as Egypt.

In addition to the successful work done so far in finding a consensus on strengthening Frontex, we reached an agreement on prioritizing immediate action for internal security, by stepping up the fight against all forms of cybercrime, manipulation and disinformation.

Finally, Salzburg was an important step for the European Council meeting on Brexit of November 25, at which the EU-27 endorsed the withdrawal agreement and political declaration on the future relationship between the EU and the U.K. It is a crucial agreement for both sides, and underlines the strong unity of the EU 27 as well as the excellent work done by both chief negotiator Michel Barnier and Theresa May.

“To me the European Union is without doubt the greatest success story of our times and the best bet for a peaceful and prosperous future.”

Ambassador Peter Launsky-Tieffenthal
Spokesperson for the Federal Government of Austria

As former director-general for development cooperation and humanitarian affairs for the Ministry for Europe, Integration and Foreign Affairs of the Republic of Austria, how do you think issues with cooperation affect security and migration? What is Austria trying to achieve bilaterally and multilaterally through cooperation?

Austria is a proud and committed member of the EU and of the U.N. These challenges can only be addressed by multilateral cooperation, and Austria is fully committed to strong long-term partnerships with emerging nations and to finding European solutions. An important initiative has been the joint forum



with Rwanda's President Paul Kagame on December 18 in Vienna, to bring together European and African heads of state and government as well as business representatives from both continents, facilitating new partnerships with a clear focus on digitalization and innovation in Africa.

The next elections for the European Parliament are expected to be held on May 23-26, 2019. As we can see from the first political movements and initial statements, the elections could be a turning point for the EU and how it will operate in the next ten years or so. Is the EU approaching breaking point?

To me the European Union is without doubt the greatest success story of our times and the best bet for a peaceful and prosperous future. The European Union has guaranteed rule of law based democracy and has strongly promoted the universal recognition of human rights. It also represents our European way of life and is the basis of our common understanding of being united in diversity. I strongly believe that the EU will successfully guide us through the challenges of the 21st century.

Austria ranks among the best destinations for investment and is one of the safest countries in the world. It is also among the countries with the highest standard of living. What are the top five things Austria should do in the next five to ten years to consolidate its strengths and international appeal?

The priorities of our government program are to boost Austria's economic competitiveness, modernize our educational system, make our social welfare system more sustainable, and further promote Austria as a green and global tourist destination. Furthermore the federal government has committed itself to making Austria more attractive to international investors by reducing the tax burden, making it easier to start a business and by promoting our young talent and entrepreneurs. Our goal is to take Austria back to the top-ranking countries in the fields of digitalisation and innovation.



Applying modern strategies for long-term profit

Professor Elisabeth Stadler, CEO of VIG, is confident in their business strategy in the current climate

Could you list VIG’s priorities for consolidating the group’s position in Austria?

The Vienna Insurance Group is number one in Austria and CEE, and we are equally at home in both, generating over half of our profit in CEE countries.

What would you highlight about the insurance sector?

We have four pillars to our strategy, and we rely on local brands across CEE. With around 50 group companies in 25 countries, we have targeted established, reputable brands, maintaining a multi-brand strategy. As a consequence the Vienna Insurance Group comprises local brands with a strong Western European partner behind them.

The multi-brand strategy is an advantage for our local management boards, employees and clients. We want customers to feel we are in a partnership, and to get the sense of the local company. Our decentralized management approach and the high level of local entrepreneurship that our group companies enjoy allow us to respond quickly to changes in the busi-

“We were one of the first Western European insurance firms to expand into CEE and today we are the leading insurer in Austria and CEE.”

Professor Elisabeth Stadler, CEO of VIG

ness environment.

Please share your expectations for CEE in its future socio-economic development.

We moved into the CEE region about 30 years ago, and have been gradually expanding since. We were one of the first Western European insurance firms to expand into CEE and today we are the leading insurer in Austria and CEE. We have close to 200 years’ experience of the insurance business and our ambition is to be the first choice for our customers.

What is your assessment of VIG’s 2018 performance, and what are the prospects and targets for 2019?

We took many steps in the year behind us. We have met all our targets, some a year earlier than forecasted, and we are delighted with our progress. We expect a \$10.8 billion premium volume and \$510-530 million profit before taxes. For 2019 our targets are even more ambitious.



What are the trends and developments that will most impact the sector in the next five to ten years?

The biggest trend is digitalization and the digital transformation is one of our key tasks. We have started the second round of the internal group “VIG Xelerate” program for promoting the digital transformation.

This initiative is designed to support those group companies which propose and implement innovative and tangible measures in this respect.

Trends differ from country to country, with the affinity for digitalization increasing as we go east. One advantage of our group is the transfer of knowledge within our group companies.

How does VIG address contemporary issues?

The strategic measures and initiatives set by our Agenda 2020 work program to optimise our business model, organization and cooperation, and ensure future viability will be further promoted, thereby further contributing to the group’s positive development in the future.

Do you have a final message for our readers?

At VIG, we have long-lasting contracts, a strong sense of social responsibility and established partnerships. We recently renewed our partnership with Erste Bank until 2033, which highlights our stability and reliability. Our partnership with them exists in eight countries. I would also like to mention our giveback programs, in which employees can take a working day off to help with social activities in their area and give back to their communities.



We have **25,000 employees** who take care of **20 million** customers



The roots of the insurance group date **back to 1824**



Besides **Austria**, **VIG** places a clear emphasis on **CEE** as its home market

The bank embraces change while staying loyal to its values

Wolfgang Viehauser & Udo Birkner, Joint CEOs at HYPO NOE bank, emphasize the importance of the regional approach

Peter Harold has just stepped down after ten years as CEO of HYPO NOE. What impact has this had?

WV: I have been with the bank for ten years, working with Udo and on the board of directors for almost two, so this is not a new situation. Mr. Harold made his decision over the summer, for personal reasons, and since then Udo and I have been running things.

This year has seen good progress, in particular we want to encourage customers to use online services for day-to-day matters, and come in to speak to us for more important issues.

UB: Our new offices are designed more for conversation; we value the personal touch for our customers.

What are your key growth drivers?

WV: Real estate and public finance.

What are the priorities to maintain the bank’s strategic position for 2019?

WV: We have already significantly reduced expenditure and increased efficiency by merging departments and decreasing management. These savings will go forward, and in the longer term we aim to reduce our cost-income ratio to 65 percent by 2025.

As part of the reorganization we have introduced a steering group and an internal development process for financial ambitions and company values. Financially we are focused on efficiency and profitability, and our low-risk profile and strong capitalization put us in prime position.

“Our business model emphasizes customer relations and convenience, so as long as we maintain these values we are not threatened.”

Wolfgang Viehauser & Udo Birkner
Joint CEOs at HYPO NOE bank

How is block chain technology a threat to traditional banking, and how does HYPO NOE see cryptocurrencies as an alternative to fiat currency?

UB: We do not see block chain technology as a threat, in fact we have two very specific projects to harness it for development. Cryptocurrency is different, however, as it is not regulated enough here for it to be of use.

How does HYPO NOE plan to stay at the forefront of change?

WV: We are loyal to our established relationships and traditional activities,




but we are also engaging with startups and collaborating with other banks, and we are investing in innovation and new trends like blockchain to improve profitability and efficiency.

What other trends are affecting customers in the banking industry?


UB: In the retail business, premium service is a key trend. Our business model emphasizes customer relations and convenience, so as long as we maintain these values we are not threatened by the big players.

How does HYPO NOE work with Austria’s prolificacy of small and medium-sized businesses (SMEs) and startups?


WV: SMEs and are at the heart of what we do. We can offer certain privileges such as capitalization for SMEs, which is crucial for Austrian businesses.



We aim to reduce our cost-income ratio to **65 percent** by 2025



New landing of **€1.2 billion** in 2017



Strategies have made savings of more than **10 percent** so far

Austria is strategically located in Central and Eastern Europe (CEE). Do you have an internationalization strategy?

WV: CEE will be part of our strategy but not a major part, although we are invested in its progress and we are seeing profits.

UB: Our business in CEE is opportunistic.

What is your vision for the company in the next few years?

UB: We want to establish a sustainable regional bank that focuses on its local area, supporting infrastructure and companies and providing affordable housing.

WV: We want the positive changes to continue. In the future tourists will fly into an airport with links to our bank, stay at a green hotel financed by us, and travel in an electric car to our branch. Part of this vision is already reality. The government aims to run all Austria on renewable energy by 2030, and we intend to keep up.

100 years since the birth of Austria

Dr. Heinz Fischer, Chairman of the Advisory Council for the Commemorative Year 2018 and former President of the country, highlights the importance of commemorating historic events, and paints an alarming picture of the state of the EU



How important is commemorating the anniversary of the First Austrian Republic and the 80th anniversary of Austria’s annexation from Nazi Germany?

The birth of the Republic of Austria in November 1918 marked a turning point. It was not only the change from monarchy to republic and from aristocracy to fully-fledged democracy, but it also reinvented European geography. The Austrian/Hungarian monarchy, which controlled 200,000 square miles and almost 50 million inhabitants under its capital Vienna, became several nation states. Austria was reduced to 32 thousand square miles with 7 million inhabitants.

The annexation of Austria by Nazi Germany in March 1938 introduced not only Nazi ideology and dictatorship, but also wiped Austria from the map of Europe. The end of World War II gave Austria a second chance, which it used to build up a pluralistic democratic country and a stable political system supporting European integration. These historic dates encourage us to learn from the past by highlighting the differences between the First Republic (before the Nazi occupation) and the Second Republic (after 1945).

We are currently hearing intense discussion about the policies of Austria and how strong the influence of rightist tendencies will be against the ideas of liberal democracies, European cooperation and a strengthened European Union.

“Austria has seen three successive years of higher-than-predicted growth.”

Dr. Heinz Fischer

Given the multiple political issues that are dividing nations inside and outside their own borders, is the EU as we know and imagine it at risk?

Ten years ago, the answer would have been no; today I am more cautious, even skeptical.

The European Union is becoming weaker and is now under growing pressure for several reasons. The poison of nationalism is coming back and gaining influence in Europe, similar to the America First policy in the United States. Some of the former communist countries in Europe—which are now members of the European Union—are run by leaders with strange and problematic interpretations of the meaning of democracy and European cooperation. It is shocking to be told that they have suffered enough under

pressures from Moscow, and that they do not want pressures from Brussels now. Such thinking makes it obvious they do not understand the meaning and rules of European cooperation.

At the same time, traditional pro-European political parties (both social democrats and Christian democratic parties) and philosophies in Western Europe—the driving forces in building a united Europe—are losing support and influence.

What investment opportunities exist for the international community?

Austria has seen three successive years of higher-than-predicted growth, and leading indicators still point to favorable cyclical conditions until the end of 2018. Recent projections for the year as a whole calculate an increase in gross domestic product of 2.7 percent. Domestic demand remains the main driver, with a rise in private spending resulting from labor market developments and increasing wages.

Austria is a small and open economy, and external trade plays an important role in growth, jobs and prosperity. 60,000 businesses in Austria export goods and services with a value of \$226 billion to more than 200 countries. This equals \$25,600 per capita or \$85,600 per employed person in the market economy. Austria ranks world seventh in exporting countries for goods and 10th in the highest exporters of services per inhabitant.

The most promising sectors in Austria for investment opportunities are life sciences and pharmaceuticals, manufacturing (especially machinery and equipment, steel, automobiles and auto parts), chemical products, electronics and electrical products, and business and personal services. There is also activity from startups in mobility, mid-tech and artificial intelligence.

Austria offers foreign companies and investors top skills, high quality, well-educated workers, high-value technology, up-to-date infrastructure, and proximity to Central Europe. In addition, political and social stability are good, and investors can rely on an effective legal system, which is crucial to business. For foreign direct investments, Austria has become one of the top investors in Central Europe.



Energy for the future may need a new vision

Rainer Seele, CEO of the OMV Group, explains some of the complexities of the industry today



In 2018 OMV began production operations in Abu Dhabi, with an initial production of 10,000 barrels per day. What are OMV’s current operations and growth drivers?

We started a strong growth program this year in our upstream production. We already have a competitive advantage in the Middle East, and we aim to branch out to Asia. We plan to increase production to 500,000 barrels a day within three years, and next year we are starting gas production in Tunisia. We are also about to close a deal for a new gas field in Siberia, and completing negotiations for a project in Romania.

OMV forecasts a growth in fossil fuels. Oil and gas are the center of OMV production. Will these energy sources have a role in the future?

We believe that oils should be used as raw material, which is why we are developing the new technology we call re-oil. Instead of burning plastic waste, we use it to produce high-quality synthetic crude oil. We use it in our refineries and then we transform the synthetic oil into other materials including diesel, polyethylene and polypropylene. In this way we prolong the lifecycles of chemical products and contribute to the reduction of CO2 emissions.

“We need a global framework. Sustainability and climate change can only be resolved with international agreement.”

Rainer Seele, CEO of the OMV Group

What about the impact of trade sanctions on the industry, and how have Donald Trump’s protectionist policies affected OMV’s business?

Sanctions are creating uncertainty in the market, and predictions are not promising. We can see the effects in prices and the stock market, and people want an agreement to restore balance. We will have to wait and see what happens in 2019.

We don’t have business in the U.S. But I believe a free global economic market is beneficial to everybody, nationalistic protection is not the future.

What is your strategy to counter the predicted increase in volatility?

OMV’s investments in broadening our portfolio will create stability. Regional market diversification and investment in the value chain is the best way to reduce the impact of volatile prices.

What framework do we need to impose for the future of sustainable energy in Europe?

I think we need a global framework. Sustainability and climate change can only be resolved with international agreement. We need to eliminate the threat of the cost of losing international competitiveness.

In Europe politicians must make some brave decisions and act on them. We need to listen to scientific advice and unite in action and commitment to make progress

The recent Abu Dhabi CEO Round Table gathered 27 executives from the world’s leading oil, gas and petrochemical companies to discuss global growth in the fourth industrial age. What was the hot topic?

One major topic was digitalization, which all parties agreed is the top trend in industry. Its application will be enormous and talent is going to be in high demand across all industries. Digital methods are already used in all communications and to bring everything together, and can only continue to reduce production costs.

What is your budget for R&D, and how do you see the next few years?

IWe budget for each project, and digitalization is part of all of them. Our focus for the future is on cost and competitiveness. We will transition from oil to gas to chemicals, and we want to expand internationally. We have already made steps in completing this vision.

Do you have a final message for our national and global readers?

In order to embrace digitalization and move into the future, the first thing we need to address is our own attitude.



Mondi: Turning the page on plastic packaging

Peter Oswald, CEO of the Mondi Group, one of Europe’s leading packaging and paper groups, explains how the e-commerce boom and changes in consumption make for a bright future

What are your priorities for 2019?

The plastics debate that started in the U.K. has become a real tailwind for us, and as a global leader in the manufacture of paper bags and flexible plastics, we are in a unique position to develop new sustainable products in addition to our existing strategies.

For example, we have recently developed a product for launch in 2019, made of two layers that can be recycled separately, and we are now working on the next generation of products which will have just one layer of recyclable material. We firmly believe that a circular economy where packaging can be reused and recycled is an achievable goal. Austria’s plastic recycling is one of the worst in Europe, but their overall recycling is one of the best. We are continually developing innovative products and striving to be more eco-friendly.

Mondi is investing more than 750 million euros in its European plants. What is the advantage of basing manufacture in Europe?

Our comparative advantage and the reason we have better margins than our competitors—our return on capital employed is above 20 percent—is that we have managed to reach the same productivity level and machine efficiency as you would find anywhere in Europe, but based in cost-effective countries like Slovakia and the Czech Republic.

Our strength is also in our continual innovation. We are currently building a machine for an entirely new product, producing one layer of virgin pulp and another of recyclable paper, for a product with significant environmental benefits with the quality of print and appearance required by consumer brands.

The result is a strong white material made out of pulp and wood, which is cleaner, smoother and stronger, but the underside is recyclable. It sounds like a logical progression, but this kind of product is unique, and it will be the first of its kind.

As the western world shifts its focus from plastics to paper, how does Mondi stand to benefit?

We have two product lines at Mondi, paper bags and corrugated cardboard

“As a global leader, we are in a unique position to develop new sustainable products.”
Peter Oswald, CEO of the Mondi Group



boxes, which have maintained fairly level business for many years. We are the world market leader in the production of kraft paper and of industrial bags, and we can use this position to create more paper products, gradually introducing stand-up pouches and similar items which will replace plastics. We’ve seen a global comeback for paper and we are well in the lead.

What is your outlook for Austria for the next two years?


Austria has built up momentum and I trust that the government will use it to reduce the tax rate and eliminate one of our weaknesses. The company tax rate is actually fairly competitive, but there’s room to improve. It’s very encouraging that after 50 years we have finally achieved a balanced budget.

The work of Margarete Schambröck (Minister of Digital and Economic Affairs) has also brought professional training in Austria to a high level. Her background is with A1 Telekom Austria, and she wants to put Austria at the forefront of digitalization.


The European Union has devised a digitalization training system which will create a proficiency scale of 8, from beginner to university professor. Austria has responded rapidly, and is the first country to implement and support this program—and people of all ages will benefit. Crucially, the program is very broad—these courses are no longer designed only for top executives. Promoting high development is very important, but it’s essential that the wider population has the chance to learn.

What is your vision for Mondi?


Mondi has great potential and will be a leader in reducing food and plastic waste. A critical aspect of our company vision is that we contribute to a better world, and we will do so with our sustainable packaging by design, using paper where possible and flexible plastic when useful, to protect food and other fragile products.



Austria’s plastics-recycling rate is about **30 percent**



Mondi operates over **100 sites** in **30 countries**



Mondi will invest **\$385 million** in a containerboard machine in Slovakia

Innovative building and infrastructure materials improve lives worldwide

Heimo Scheuch, CEO of Wienerberger AG and Chairman of the Supervisory Board of the Vienna Stock Exchange

Could you give us an overview of Wienerberger?

We are an international building and infrastructure materials company that produces enough products to build 167,000 houses every year in over 30 countries. Our vision is to provide housing and infrastructure solutions that are sustainable: long lasting, energy efficient and enabling high-quality living. Through this, we improve the lives of millions of people in cities and rural areas around the globe. Our focus is on innovative products and methods, including digitalization in production and communication. With such huge business and client numbers, continuous investments, innovation, automatization and improvement of processes are a given at Wienerberger.

How has Wienerberger become an international company?

When we started 200 years ago, Vienna was a mega-city, with huge importance in Europe. In this context, Wienerberger started out as an international company. Today, we are a public company and 90 percent of our turnover is outside Austria. We operate almost 200 production facilities in Europe, North America and India—meaning we produce locally and we contribute to the local economies. We have a unique business model and we see ourselves as uniting multiple markets.

“We drive innovation, with 30 % of our revenues coming out of innovative products.”
Heimo Scheuch, CEO, Wienerberger AG and Chairman of the Supervisory Board of the Vienna Stock Exchange

You are known for your products and also innovative solutions. How do you stand out?

We are known for our leadership in innovation which is driven by our corporate culture and values such as entrepreneurship that we truly live through out the whole organization. We annually invest in R&D in a double-digit million Euro range and I am very proud to say that 30 percent of our revenues come out of innovative products and services.

A major difference between us and other companies is also our focus on close team relationships with our staff and customers. We provide services as products, so it’s about the quality of the advice that you give.




How have you adapted to the digital age and new technologies?

Digitalization is no new thing to us. Our larger factories and our logistics systems are now almost completely automated. All our data is destined for great use in the future to improve efficiency for customers, and better living for us and for the environment. We have hundreds of engineers working on saving energy and materials. We aim to reduce energy usage in our plants by 50 percent, by innovating and optimizing production. Using modern tools and AI to gather data, run tests, and efficiently manage our plants creates huge benefits for the future.


How does the European Union support its industries?

The EU unites us in a great way, we are growing together, but it is important that the global environment doesn’t ignore local needs. The strength we have is in our diversity. We need to focus on the common market and less on bureaucracy and standardization.


Wienerberger has European roots but, today, we are a global player and have successful operations in the U.S., Canada, India and the more dynamic markets in Eastern Europe. For our strongest growth we are focused on the markets where we are already active.



Wienerberger is a **100 percent** public company



Its annual industrial output equals **167,000 houses**



It aims to reduce its energy usage by **50 percent**

How do you see Austria’s businesses and financial position developing internationally in general?

Austria has a lot of hidden champions such as Wienerberger, many of them family-owned companies, which results in the country being under represented on the international financial markets. But Vienna has a small and very efficient stock market. Over recent years, we have done a lot to modernize it and raise its attractiveness even more. I can see Vienna becoming an efficient financial hub that is geared toward Eastern Europe—in the current climate, the opportunity for Vienna is there.

Austria has a great deal to offer the world for the future, for investment, development and education. Sustainability is very important to us, and Austria is a great place to be and to invest.

Turning around plastics for a better world

Dr. Alfred Stern, CEO of Borealis AG, explains how the circular economy leads straight ahead

Your predecessor oversaw international expansion despite the financial crisis. You have always championed the circular economy and recycling, what will your priorities be now?

Safety has always been priority at Borealis, for our local environment and staff. I want to continue our development of infrastructure and pipe production, to provide clean water and remove sewage; and also supplying insulation materials for high voltage electricity cables that can connect wind farms to the mainland in the most efficient way.

We will also maintain our focus on innovation and creating value. The versatility of the polymers that we make means we can continually innovate and improve production processes while increasing performance. I want to expand the business in Europe and internationally, and continue to invest in innovation.

We are already leaders in the circular economy, recycling and producing plastics with a low environmental footprint. Our methods help to reduce food waste, provide water, and decrease pollution, but in the face of a growing population and increasing living standards, we still have improvements to make in closing the circle and making the process even more efficient.

Plastics production increases every year, and most of it is thrown away. How do you balance growth, innovation and profitability with social and environmental responsibility?

Our sustainability strategy starts with personal safety and wellbeing, followed by energy consumption and waste, and the circular economy. Plastic waste can be a valuable raw material, but commitment is needed throughout the process. Our Everminds concept comprises the design of our products to be reusable and easily recyclable, collection of the waste, then recycling technology to complete the circle. We started with recycled polymer and progressed by buying

“We are already a leader in the circular economy, recycling and producing plastics with a low environmental footprint.”

Dr. Alfred Stern, CEO of Borealis AG

recycling companies for different plastics. We need to push the concept further, Everminds™ needs cooperation down the entire supply chain to optimize efficiency, from communities to waste management and sorting companies. We have initiated project STOP in Indonesia, to prevent marine littering and encourage the circular economy, but also to create jobs and improve health conditions. So far we have made good progress and we aim to extend



Austria is leading the way in renewable energy and innovation

Prof Herbert Lechner, Deputy CEO at the Austrian Energy Agency, predicts a future of change

To begin, could you provide readers with an overview of the Austrian Energy Agency’s operations?

The Austrian Energy Agency offers answers for the future of energy: We provide scientifically founded advice for decision-makers in politics, business and administration. Our mission is to highlight possible ways of achieving a fossil free future and the impact of the energy transformation on business and society.

What is the breakdown of Austria’s energy division: renewables vs. traditional energy?

Renewable energy currently accounts for around 33.5% of energy produced. Around 72% of electricity already comes from renewable energy sources. Austria is front runner in Europe in the electricity sector.

There is a rapid transformation from traditional energy production to renewable sources. What are the most significant challenges?

Indeed – the power sector is in a fast transformation to renewable sources, electricity is more and more „the fuel of choice“. The fluctuating characteristics of renewables require high system flexibility: Balancing massive surplus of generation during summer and energy needed to cover demand during winter. Simply put: The challenge is to shift power from summer to winter. An integrated approach is necessary to secure system efficiency. We need more flexibility in our energy system, but we will also need new technologies like power-to-gas.

“Austria is a trailblazer in renewable energy production, efficiency and innovation.”

Prof Herbert Lechner, Deputy CEO at the Austrian Energy Agency

According to the CEO of Verbund, efficiency, not production, is the future. Do you agree?

I do. Energy efficiency brings many benefits: the reduction of energy consumption results in saving money by lowering the cost of purchasing energy. Most important: reduced climate change impact, but also, improved energy security, reduction of the price risks, less dependency on energy imports etc.

What is Austria’s strategy in electricity?

The Federal Government has set the objective of covering 100 % of total



national electricity consumption from renewable energy sources by 2030. We will have slightly more hydropower, but mainly we have to increase wind power and photovoltaics. Wind mills will be constructed in the east of the country, and photovoltaic panels all across Austria.

Austria’s solutions for 100% green electricity can be Europe’s blueprint to decarbonize the power system.

Green hydrogen is increasingly prominent in manufacture and steel-making, as a coal substitute. What is the future role of green hydrogen?

A very important one, firstly because we need it in the industry itself. Voestalpine can handle the hydrogen-based steel production technology, but they need green energy. In the future, other industries will use green energy sources when they decarbonize.


You are also responsible for managing and coordinating information and awareness campaigns – can you give us some examples?

The best example is klimaaktiv. The primary objective of klimaaktiv is to introduce and promote climate friendly technologies and services. Our “Smart Energy Generation YZ” campaign awareness and encourages young people to take a greater interest in energy issues with games, quizzes and competitions, and a mixture of on and offline activities.


What is your final message to our readers?

It is essential to examine and change the entire energy system in all its complexity. Politics, administration and business must work hand in hand and develop goals, strategies and concrete implementation measures for a sustainable transformation of the energy system – also with a view to the opportunities this generates for the Austrian economy. Key topics are flexibility, storage, and an integrated and systemic approach.


Ultimately, the future of energy is all about flexibility and efficiency. The entire system must be balanced to maintain steady production, for which digitalization will be essential. The future will be completely different from the past.



We are close to our EU-target of **34 percent** renewable energy in 2020



We need **35 TWh** more electricity from **renewables** to meet the goals



#mission2030 is full steam ahead!

The recovery of the market is on the way

We talk to **Gerald Grohmann**, CEO at Schoeller-Bleckmann Oilfield Equipment

How does the 2018 growth compare to the losses of 2017?
2018 feels very positive in comparison. The oil and gas industry was in its deepest crisis ever from 2015 right into 2017—we had to lay off about 40 percent of our workforce. But in 2017 U.S. activity in shale oil produced a turnaround, and 2018 has seen continued recovery.

What were the key growth drivers? How do you intend to sustain the growth rate?
In 2017 and 2018, U.S. business was the key driver. Then international business kicked in.

In the first three quarters of 2018 oil price gradually increased, then in October prices slumped. But this volatility will be short-lived—business fundamentals are intact and the world economy is in good shape. The slump was due to uncertainty in the world economy and oversupply, but I believe this situation should soon be resolved.

How do you position the company in the face of current instability?
Steel prices are important to us because most of our products are made from specialty steel. But our steel grades and products are so specialized that ultimately sales cover the increase in cost.

How will current or potential trade sanctions impact the global oil and gas equipment industry?
Russian sanctions do not really hurt us. We are careful to abide by

“It is an interesting time for this industry, this volatility will be short-lived.”
Gerald Grohmann, CEO at Schoeller-Bleckmann

the law but ultimately our Russian business is very successful with niche Russian customers who are not affected by sanctions.
In Iran, the doors are closed again because of the sanctions. The U.S.-China trade barriers could be cause for concern, however, and I hope the situation is resolved.

What is the significance of the U.S. market, and its protectionist policies for Schoeller-Bleckmann?
We have a significant presence in the U.S. in manufacture and production, so we deal with them directly and we are not affected by import tariffs. We also benefitted from the tax reductions last year.

Is the green energy target a challenge or an opportunity for your traditional energy production?
Governments tend to stipulate challenging targets in a 20-year time

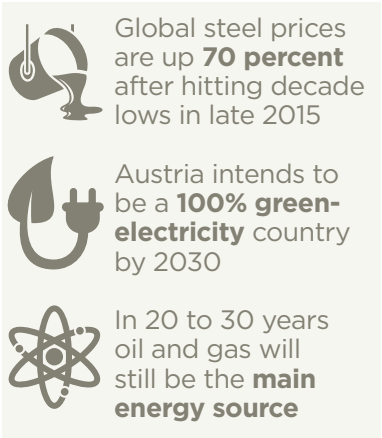


frame. We know that their targets are difficult to near impossible, but we must be realistic. Analysis shows that oil and gas will still be the main energy source even in 20 years from now.
Perhaps there will be a shift from fossil fuels, but really, there is no way to circumvent oil and gas in the next decades.

What other emerging trends do you see from the oil and gas sector?
The ups and downs of the industry are a fantastic innovator and keep it highly efficient. The whole industry is focused on developing more efficient and cost-effective products, and innovation is key.
We have a clear growth strategy, focused on three areas: organic growth—the cheapest approach; new technologies, products and markets; and expansion through acquisition.

Austria is an innovation hub. What does it offer the manufacture industry?
Austria has a high number of small and medium-sized enterprises (SMEs) and few large companies. We are one of those successful SMEs that is now leading the market. We followed the Austrian approach of finding a niche and becoming world leaders.

What is your final message?
We are very happy with our position as a global player. We are an Austrian company but we work in the Far East, the Middle East, and North and South America. We maintain great relationships with these countries and we look forward to strengthening these partnerships in the future.



Reducing the textile industry’s environmental footprint with wood

Stefan Doboczky, CEO of Lenzing, a world leader in wood-based cellulose fibers, on the importance of sustainability and innovation

Could you introduce Lenzing to readers?
Lenzing is an 80-year-old company and its soul has stayed constant: turning wood into a high-performance, highly emotional and highly aesthetic material that is used in textiles and non-woven applications such as cosmetic face masks. We create products that are useful but also biodegradable and compostable.
The textile industry is bigger than the automotive industry—but it has no answers for its environmental footprint. It is in this environmental arena that Lenzing plays a critical role. Two-thirds of the fibers in today’s textiles are polyesters and polyamides that end up as waste; a quarter of products are made from cotton, which draws environmental concerns; then there is the small section of products where Lenzing is involved—wood-based cellulose fibers.

What are your strategies for future growth?
For us, specialization is the number one priority. We want to reduce the share of commodities, and focus on products that offer substantial value and have a very good ecological footprint. To bring this value to the consumer, it is important that Lenzing works with the whole value chain. Branding is the next important step and a very important element of our corporate strategy. Whereas in the past, Lenzing was a volume and cost-oriented company, it

“We have double the R&D spend of any of our peers—we invented Modal, were one of the inventors of Lyocell and now own 90 percent of that fiber’s market share.”
Stefan Doboczky, CEO, Lenzing

is now a specialty group that draws a lot of positive attention from brands, retailers and consumers. Lenzing is the only company in this textile field that produces in Europe and the Americas—all our competition is in Asia. Our competitors tend to be driven by one strategy: low cost, but our strategy is for innovation and specialization.

Do you see Lenzing as an international company?
A couple of years ago, Lenzing was an Austrian company with international investments. Now, we have developed into a truly international company with Austrian roots. Today, four continents are represented on our extended management team, we have pushed management decisions further into the regions, and have positioned our new innovation centers in Indonesia and Hong Kong.



Lenzing is committed to sustainability and innovation. Could you provide examples of this in action?
Sustainability is our core business and innovation driver—all our investments in research and development (R&D) must have a positive impact on the environment. We have double the R&D spend of any of our peers—we invented Modal, were one of the inventors of Lyocell and now own 90 percent of that fiber’s market share. We recently launched two new innovations: the first is a viscose fiber, ECOVERO™, which has an incomparable ecological footprint, and the second is TENCEL™ Luxe, an alternative to silk.

Austria is the location of the largest integrated pulp and viscose fiber production site in the world. What are the advantages of operating a high-tech R&D-focused business in Austria?
Three things come to mind: firstly, we had to invest in technology in Austria to keep the environment clean, and this investment gave us a head start in mastering processes and technologies that today have become the industry norm.
Secondly, the way that our people are educated in Austria, including its apprenticeship system, is excellent. Thirdly, and this may sound strange, we operate in a beautiful environment that offers a fantastic lifestyle, which allows us to attract and retain talent.

How is Lenzing using digitalization?
In our manufacturing processes, digitalization becomes more and more the norm, particularly for preventative maintenance or remote operation of plants. Strategically, the most important aspect of digitalization is in the traceability of the supply chain. The question is, how can a super-complex textile supply chain work—where thousands of producers sell to thousands of spinners who sell to hundreds of thousands of weavers and knitters who then sell to brands and retailers—how can the consumer know where the product came from? There lies the importance of blockchain technology, and this is where Lenzing is already innovating and researching.



Decarbonization is the top goal for Austria’s leading electricity firm

Wolfgang Anzengruber, CEO of Verbund, details the current priorities for one of Europe’s largest hydropower companies

Could you provide some background to Verbund’s current position?

Verbund is Austria’s leading electricity company and one of Europe’s largest hydropower producers. The last decade has been extremely challenging for the European power sector and many utilities have had enormous problems. I am very proud to say that, in these difficult times, Verbund never made losses and always stayed profitable—we are one of the only European companies in this sector that is in a position to say that! A combination of hard work from management and employees enabled this success. We achieved it by diligently following a path of decarbonization. Today roughly 95 percent of our energy generation is carbon-dioxide free and comes from renewable sources. Mostly this is hydropower—we operate 128 hydropower plants across Austria and southern Germany, and 153 wind turbines. We have exited thermal power generation, apart from two fossil-fuel plants that are needed for net stabilization in order to integrate highly volatile wind and solar energy to the grid.

What are your top priorities for 2019?

Decarbonization is the top goal, if we want to take our last chance to stabilize the climate. Looking at the climate goals of the world, Europe and Austria, we know that there will be a growing demand for our product—green electricity. The European Union has set a mandatory target of 32 percent renewables within the energy mix and 32.5 percent improvement in energy efficiency by 2030. As an Alpine region rich in water, Austria is lucky and already gets 75 percent of

“Our innovation focus falls on storage solutions and pumped-storage hydropower is still the most efficient method for high-volume energy storage.”

Wolfgang Anzengruber, CEO, Verbund

its electricity from renewables. But we need an additional 30TWh of electricity from renewables to meet our government’s climate goals. We are additionally focused on sectorial coupling, as we need industries such as transport, heating, cooling and housing to switch from fossil fuels to renewables.

Digitalization is a priority as it will bring us closer to our customers and allow innovative solutions that take account of the fact that “prosumers” will increasingly start to generate, store and use their own electricity, thus decentralizing the system. Digitalization also gives us the tools for increasing energy efficiency by enabling smart home solutions for residential customers and power pooling of energy flexibilities for industries.




Where do you see the most growth coming from in the future?


Without a shadow of a doubt, hydropower is and will continue to be the most important business operation for us. In addition, Austria’s transmission grid operator will face a continuous challenge in balancing demand and supply given the increasing intake of renewable energies. So, our innovation focus falls on storage solutions and pumped-storage hydropower is still the most efficient method for high-volume energy storage.

Currently, Verbund’s hydro storage and pumped storage units have a capacity of 1,800GWh. As a result, for example, they can provide 2,000MW over 900 hours. In addition to long-proven storage technologies such as pumped hydropower, innovative storage concepts are currently being implemented—battery storage is getting a lot of attention and power-to-gas is becoming increasingly important as it can use existing gas-network infrastructures and also serve as large-volume long-term storage.


We are also excited about energy from hydrogen and are investing in infrastructure for this. Green hydrogen, made using green electricity, will play a crucial role in our future. It can be used, for instance, as a substitute for coal in steel making. This could have a dramatic impact on carbon emissions. Perhaps in ten years it will affect the transport industry but before we get there, we must tackle hydrogen storage solutions. In order to reach all our goals, Verbund has to ensure that we take advantage of the excellent talent pool on offer in Austria and that we are attractive to young people.



Estimated revenues of **€870m** for Verbund in 2018



95 percent of its energy generation is from **renewables**



Verbund operates **128 hydropower** plants

What is Verbund’s international strategy?

We are currently trading in 12 countries worldwide and international investments are an exciting area for us. On the consulting side, given our experience in the operation and service of power plants, we are open to expanding into other countries besides Austria and Germany, and our services business segment has a specifically international scope. Innovation and knowledge sharing are key for future successes, so we are open to collaboration with other countries and companies, including startups and sometimes even competitors, because the world has changed.

Financial education should be essential across Europe

Gerhard Starsich, CEO at Austrian Mint, expresses his concerns about attitudes to money

In your seven years as CEO of Austrian Mint, what have been your key milestones?

Our primary task has been to establish a good marketing division, especially for our collector coins, which has transformed from a difficult to an efficient department. We have also captured the interest of new customer groups, including women and children, and even successfully created new specific products for young people.

As a world-leading gold producer, how would you evaluate Austrian Mint’s performance in 2018?

2018 had a difficult start. The first six months were slow, particularly in precious metals, but from July turnover increased, and we are confident that the books will balance, and even increase revenues.

The 2019 numismatic designs have been released, representing a famous knight, a city and a legend. Tell us about the coins.

The collection honors our 825th anniversary. Next year we will switch our focus to bullion coins, which will be marketed separately at a lower price than collector coins, and we expect strong sales.

Collector coins have a strictly limited number in circulation, and a high level of craftsmanship goes into the design and creation. Bullion coins are unlimited and we strike the same coin every year. The Philharmonic coin will not change, apart from the date. The price for a 1oz bullion coin is approximately over three percent gold

“Many people still store cash ‘under the mattress.’”

Gerhard Starsich, CEO at Austrian Mint

To what extent does the rise in distributed ledger technologies and cryptocurrencies pose a threat to fiat currencies? How will you position Austrian Mint, and gold investment, in this environment?

We are not threatened by cyber-currencies and we see the rise in popularity as an opportunity to position ourselves as a secure space. With gold coins, there is no risk of electronic failure or criminal activities..

What do you make of the EU directive to abolish the 500€ bill?

We do not think it will be an effective measure. In general, people like cash, and we hope to continue printing the bills. Cash is here to stay.



The University of Vienna claims that 74 percent of people under 18 have borrowed money. Is enough being done to teach young people about debt? How do you use your position to promote financial education?.

This is an important subject, and has led to the launch of our Pocket Money Initiative. We also carried out another study similar to the university, and other studies back up the evidence still further. We discovered that many people right across Europe store cash ‘under the mattress’.

Financial education is essential—debt is a big problem for many Europeans. Educating children to understand saving and budgeting is paramount, and we have rolled out the program in seven areas of Austria.

We offer materials to teachers and we help parents to know how much spending money to give their children. The project is now being considered for nationwide application to tackle the issue of increasing debt at ground roots level.

The Philharmoniker coin is increasingly popular worldwide. How are you promoting it?

We are setting up an international network in Austria through which we can access markets in Singapore, Hong Kong and South Korea. We have been in Japan for 25 years—in a fortnight I meet our most important customers in Japan.

What makes Austria an attractive FDI destination?

Our excellent universities and our environment. Vienna has been voted the top city to live for the ninth year running. We have a skilled workforce; strikes are rare. There is no reason not to invest here.

Do you have a final message for our readers?

We will continue to promote our bullion coins, and in line with this we will make further efforts to source gold responsibly.



2019 is our **825th** anniversary



74 percent of people under 18 have already borrowed money



Debt is a big problem for many Europeans

Driverless vehicles bring disruption to road management

Klaus Schierhackl, CEO of ASFINAG, explains how his organization is preparing the country's main road network for the future



IMAGE: © ASFINAG

ASFINAG plans, finances, builds, maintains and collects tolls for Austria's main road network. How is the driving environment changing?

ASFINAG is owned by the state but operates as a normal shareholder owned company and has always worked as a customer-oriented organization. Our main aim is to make mobility on the highways as easy as possible, which ties into our focus on the future and for handling new developments in mobility.

For ASFINAG, the discussions surrounding driverless, automated vehicles are key. We are one of the leading players in Europe for connected mobility and aiding communication between infrastructure and cars. The new generation of vehicles—or driven computers, as I call them—will enable far greater comfort for drivers.

Consequently, more people will use cars because drivers will be able to sit there and read emails or use Skype, for example, as opposed to driving or taking public transport. Another sea change for us will be the move to electric vehicles.

ASFINAG is not driven by share value, so it is easier for us to have a focus on connected mobility, road safety, secure parking and end zones than for operators in other countries. In addition, the system that we operate enables us to react swiftly to market changes and invest more where it is needed.

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Klaus Schierhackl, CEO, ASFINAG

In 2017, ASFINAG made revenues of €2.5 billion, an increase of roughly 8 percent on 2016. How did 2018 compare and what were your main challenges?

Our financial performance was even better in 2018. We have an excellent tolling system that is famous for being cheap, effective and good for customers, while also being economical for us as a business. The number of vehicles on our roads dramatically increased in 2018—by 6 percent in heavy vehicles and 2.7 percent in light vehicles. Overall, toll income was about €2.2 billion and we saw a reduction of debt.

An increase in the number of cars embodies real challenges for ASFINAG, especially regarding traffic jams and congestion, and an annual 6 percent increase in the number of vehicles on the road represents a 100 percent increase aggregated across the next five years. We also have a challenge with parking infrastructure, as a new EU directive stipulates that drivers of heavy vehicles can no longer sleep in their car cabins during the weekend.

ASFINAG also invested €1.2 billion in the maintenance and construction of the main road network last year, which was largely funneled towards tunnel construction, and in the next few years, bridges will become a major focus.

What are your top priorities for 2019?

The top priority is to continue with our significant construction projects. One of our massive projects is a second motorway connection for Vienna. We are in the process of completing the tender for the construction of this.

Mobility as a Service is another priority, along with preparing for alternatives to our pioneering “digital vignette” tolling system that recognizes vehicles by their number plates.

How is ASFINAG preparing for driverless cars?

We work very closely with highly respected technology companies. Using cutting-edge cameras we are able to track movement along highways and understand how they can be optimized. In 50 years, driverless vehicles will be a must and indeed, we will not be able to drive by ourselves because the new vehicles will optimize capacity as well as reduce the risk of accidents.

As the number of the number of vehicles on the road is predicted to grow so much due to driverless cars, there is a big discussion surrounding future congestion pricing and handling—the solution will not be to construct new lanes but to work out innovative pricing structures, in my opinion.

