

Economic Policy of Civil Aviation in the Kingdom of Saudi Arabia



Preface

As the competent Authority tasked with the supervision, development, and regulation of the civil aviation sector in the Kingdom of Saudi Arabia, the General Authority of Civil Aviation (GACA) aims to strengthen the sector's position as an attractive investment opportunity for both national and foreign private entities. This sector serves as a vital component of the national economy, as stipulated in Article IV of the Civil Aviation Law issued by the Council of Ministers Resolution No. 33 dated 11/2/1426 AH. In order to achieve its mandate, GACA undertakes the responsibility to devise and refine public policies, executive regulations governing the sector, and developmental plans and programs, and oversee their implementation and execution. In alignment with these commitments, GACA is now updating its Economic Policy of Civil Aviation that will act as a navigational guide for the updated economic regulations and operational guidelines. This policy serves as a significant catalyst in supporting and realizing the goals of the National Strategy for the Aviation Sector and is tailored to bolster the continued evolution and growth of Saudi Arabia's aviation industry.



Policy Scope and Objectives

The scope of this policy focuses primarily on the economics of three fundamental pillars of the aviation industry: air transport, airports, and ground handling and air cargo sectors. These domains are significant due to their direct influence on the overall performance of the sector, their interconnectedness, and the profound impact they have on passenger and cargo services, as reflected through the National Aviation Strategy objectives.

Through this policy, we aim to ensure that the following goals are achieved: promoting competitiveness, enhancing operational efficiency and passenger experience, encouraging investment, enabling sector growth, ensuring fairness and transparency, creating job opportunities while ensuring compatibility with international best practices and the general strategic direction contained in the National Aviation Strategy, and contributing to raising the GDP of the national economy.



Policy Principles

First: Competition and open markets

Competition is recognized as the engine of growth and innovation in the aviation sector. It seeks to create an open, dynamic, and competitive market environment within a framework of fairness and transparency that incentivizes industry players to enhance efficiency, differentiate their offerings, encourage innovation and investment in emerging technologies, reduce costs, ensure equal opportunities, and prevent monopolistic situations, and pass these benefits on to consumers.

Second: Transparency and accountability in commercial relationships

This policy underscores the importance of openness and responsibility in all commercial transactions within the aviation sector. This principle helps achieve the following:

1. Foster a business environment that promotes fairness and cooperation in all business relationships and engagements, thus enhancing trust between stakeholders, reducing risks, and supporting sustainable growth;
2. Build confidence among potential foreign investors by demonstrating a predictable, equitable business landscape;
3. Improve the performance of current operators and service providers, and reduce information asymmetry between them, enabling all parties to make informed decisions;
4. Prevent disputes, or facilitating the resolution thereof, by providing a clear understanding of agreements and expectations.

Third: Financial sustainability

The policy focuses on financial sustainability as the driver of sector resilience, emphasizing the importance of maintaining robust financial health across all entities within the aviation sector. Overall, the principle aims to achieve the following:

1. Build resilience against economic downturns, market fluctuations, and unexpected challenges, ensuring continuity of profitable operations and high-quality service offerings;
2. Promote the value of non-aeronautical revenue streams as part of the financial health of airports;
3. Promote the financial health of carriers, airports, and service providers, contributing to an overall robust aviation sector;
4. Ensure that infrastructure development and upgrades are financially feasible and sustainable.

Fourth: Optimal resource utilization

Optimizing resource utilization through fair and equitable access emphasizes the need for efficient use of infrastructure and services within the aviation sector. The principle seeks to achieve the following:

1. Foster an environment that allows all industry players, regardless of size or status, to access vital resources and services in a fair and equitable manner, removing unnecessary barriers;
2. Promote efficient use of existing infrastructure, reducing wastage and maximizing value from investments;
3. Ensure that resource allocation is in line with strategic growth targets and operational needs, thereby driving sector growth;
4. Encourage ongoing investment in infrastructure and technology to support efficient resource utilization.



Relevant Entities (Stakeholders) and Expected Roles

In order to achieve the objectives of this policy, the relevant authorities specified below, without prejudice to the competencies of other government entities, shall be responsible for their roles as follows:

General Authority for Civil Aviation (GACA):

1. Implementing and enforcing the policy guidelines and regulatory changes outlined in the policy document, and develop the necessary economic regulations to enable their implementation;
2. Ensuring that all relevant entities comply with the policy principles and economic regulations related to it;
3. Collaborating with government agencies and other relevant authorities to uphold the policy principles related to competition, fair market practices, transparency, and investment regulation;
4. Reviewing and updating economic regulations to align with the growth of the aviation sector;
5. Facilitating communication and cooperation among different aviation entities to ensure policy coherence and effectiveness, and alignment in achieving defined targets;
6. Stimulating the market and providing an attractive environment for investment.

Private sector players:

1. Complying with the policy principles and economic regulations related to it;
2. Implementing the provisions contained in the economic regulations related to their respective domains, be it air transport, airport operations, or ground handling and air cargo services;
3. Collaborating with the General Authority for Civil Aviation and other stakeholders to contribute to policy implementation, share insights, and address sector-wide challenges.



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