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Agenda Item 27: Other issues to be considered by the Economic Commission

ENHANCING THE ECONOMIC REGULATORY ENVIRONMENT FOR CIVIL AVIATION IN THE KINGDOM OF SAUDI ARABIA

(Presented by Saudi Arabia)

EXECUTIVE SUMMARY

This information paper highlights the most prominent changes and updates aimed at improving and developing the economic regulatory environment for civil aviation in the Kingdom of Saudi Arabia. These efforts have contributed to enhancing the investment environment, facilitating access to the air transport market and its supportive services, and providing a competitive environment that creates job opportunities for workers and investors. Additionally, they aim to raise the quality of services provided and increase market efficiency and value.

<i>Strategic Goals:</i>	This working paper relates to Strategic Goal: <i>The Economic Development of Air Transport Assures the Delivery of Economic Prosperity and Societal Well-Being for All</i>
<i>Financial implications:</i>	
<i>References:</i>	<i>GACA Laws and Regulations</i> ; <i>Economic Policy of Civil Aviation</i> ; <i>Economic Regulations</i> ; and <i>Guidelines for Economic Regulations</i>

¹ English and Arabic versions provided by Saudi Arabia

1. INTRODUCTION

1.1 The General Authority of Civil Aviation in the Kingdom of Saudi Arabia issued the economic policy for the civil aviation sector in the Kingdom, along with a set of economic regulations that organize the sector including airports, airlines, ground services, air freight services, and air navigation services. These efforts aim to elevate the performance of the civil aviation sector, improve the efficiency of national carriers, and support national initiatives. The goal is to enhance the Kingdom's position to align with global standards of air transport services, while creating a competitive investment environment for foreign investors, enabling growth and fostering innovation in the aviation sector.

1.2 The economic policy and accompanying regulations issued by the Authority contribute to achieving the strategic national goals for civil aviation. This includes increasing the sector's contribution to the Kingdom's gross domestic product (GDP), providing direct and indirect employment opportunities, and attracting investments in line with the Saudi Vision 2030. Additionally, it aims to create a competitive environment that offers fair opportunities for workers and investors in the sector.

2. TOOLS TO THE ECONOMIC REGULATORY ENVIRONMENT FOR CIVIL AVIATION IN THE KINGDOM

2.1 Establishing the Economic Regulation for Airports, which aims to develop the foundational frameworks governing the operations of airport operators in the Kingdom. This supports the development of airports, facilitates the entry of new investors into the aviation market in the Kingdom, and enables airport operators to increase air traffic. The regulation also emphasizes adherence to regulatory controls to empower airport operators with the flexibility to diversify their revenues through increased returns from non-aeronautical services. This, in turn, will also encourage airports to diversify their services and commercial activities, transforming them into world-class airports that attract air traffic.

2.2 Updating the Economic Regulation for Ground Handling and Air Cargo services and setting standards and frameworks to govern the mechanism by which airports select ground service providers to ensure a fair competitive environment. Additionally, the regulation facilitates the issuance of economic licenses for ground handling and air cargo service providers to attract investments, enhances transparency in dealings by activating consultations among various service providers, and clarifies the roles and responsibilities of each category of these providers.

2.3 Updating the Economic Regulation for Air Transport Services, which aims to stimulate air traffic by facilitating the requirements for issuing economic licenses to air carriers and eliminating economic requirements for non-commercial flights. This contributes to enhancing the Kingdom's air connectivity. Additionally, the regulation adopts new controls for the allocation of air traffic rights among national carriers on international routes with limited capacity to ensure equal opportunities. It also removes certain requirements for foreign carriers to simplify their licensing process and enable them to operate with full ease.

2.4 Introducing the Economic Regulation for Air Navigation Services, which aims to regulate air navigation service charges, enhance efficiency, support the sector's rapid growth, and ensure transparency and fairness. The regulation seeks to create a competitive environment with fair pricing for all and to establish standards for determining service charges based on the best international practices and standards. This will encourage airspace users to operate in the Kingdom, increase capacity, and improve performance. It also sets controls and standards for service quality and mechanisms for monitoring it.

3. **PRINCIPLES CONSIDERED FOR THE ECONOMIC REGULATORY ENVIRONMENT OF CIVIL AVIATION IN THE KINGDOM**

3.1 The principle of stakeholder engagement has been adopted during the development and updating of economic policies and regulations, based on the belief that investors, airlines, service providers, and airports are the backbone of a mature aviation market that meets future aspirations and supports innovation. Stakeholders were actively involved, and several workshops were held with them to analyze gaps and develop actionable solutions.

3.2 The General Authority of Civil Aviation in the Kingdom has undertaken this initiative with careful consideration not to disrupt the air transport market. This was achieved by gradually implementing the economic regulations in three phases, starting in Q4 of 2023 and concluding in 2025, ensuring a mature impact through deliberate and precise steps.

3.3 All economic regulations have been supported with several guiding manuals, operational models, and guiding principles to facilitate understanding and application of these regulations and policies with high reliability. For example, the *Airport Charges Determination Manual for Airport Operators* and the *Investor's Guide in the Civil Aviation Sector* have been issued.

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