

Aviation in Saudi Arabia

INDUSTRIAL POLICIES FOR XXL GROWTH

For the past decade, state-run airlines from Qatar, the United Arab Emirates and Turkey have been gaining massive market shares. These gains are largely the result of government industrial policies. In Germany, EU airlines face conditions that drive up the costs of aviation and hamper fair competition. In the other countries, governments do whatever it takes to subsidize their aviation industry – Saudi Arabia is the latest country to take this approach.

The country is determined to become a world-class air-transportation location. Saudi Arabia is developing an infrastructure at break-neck speed, an effort that further stokes competition between locations. The government is taking an highly structured and ambitious approach. Underpinning this effort is a strategy called Vision 2030, a plan that impacts virtually every aspect of the public and commercial life in the country. The core objective for aviation is to turn the kingdom into a passenger and logistics hub that will link Europe, Asia and Africa.

Saudi Arabia is committing tremendous amounts of funding to this effort. A total of 100 billion Euros will flow into the travel and tourism industry by 2030. Roughly one third of these funds is earmarked for aviation. Some of this funding will be used to turn the capital’s airport into one of the largest in the world. The Persian Gulf country is working on the assumption that national passenger totals will nearly quadruple, rising from nearly 90 million in 2019 to 330 million by 2030. In addition to that, a second airline funded completely by the country’s government has recently been set up – and this airline is to serve 100 destinations around the world within a period of seven years.

The entire strategy could certainly be dismissed as megalomania. But the truth is that more and more countries are looking at and strengthening the tourism and aviation industries as central economic pillars. The EU must find industrial-political answers to these challenges. It is sobering to take inventory in this regard. While the EU is continuing to liberalize neighboring traffic with the Gulf States, it is unilaterally tightening regulation for EU network airlines through climate protection policy. This one-sidedness has the effect of an economic stimulus package for non-European state-run airlines. This results in relocations to other places that have less ambitious commitments to climate protection.

To put it clearly: We do not want growth at any price. Flying has to become more expensive because tremendous amounts of money need to be invested in sustainable aviation fuels and in completely new planes. We fundamentally disassociate ourselves from XXL growth fantasies. In the face of this situation, it is even more crucial for the EU to monitor global developments and take steps to ensure that Europe will continue to have an independent and high-performance aviation industry at its disposal in the future – also particularly for sustainability reasons.

