



International Civil Aviation Organization

ATConf/7-WP/111¹
9/10/26

WORKING PAPER

SEVENTH WORLDWIDE AIR TRANSPORT CONFERENCE (ATCONF/7)

Montréal, HQ, 16 to 20 November 2026

Agenda Item 2: Fostering aviation growth and air connectivity through investments in infrastructure, human capital and partnerships

2.1: Integrating civil aviation into national development and investment plans

STRENGTHENING THE FINANCIAL VIABILITY OF SMALL AND REGIONAL AIRPORTS

(Presented by Airports Council International (ACI) and the United Arab Emirates)

EXECUTIVE SUMMARY

Small and regional airports provide essential connectivity and contribute significantly to regional economic development, trade, tourism and social inclusion. Many are located in Least Developed Countries (LDCs), Landlocked Developing Countries (LLDCs) and Small Island Developing States (SIDS), where air transport is essential to socio-economic development. However, many face persistent structural financial challenges that constrain their long-term financial viability.

Consistent with the International Civil Aviation Organization (ICAO) Assembly Resolution A42-26, strengthening the long-term financial viability of small and regional airports requires enabling institutional, legal and regulatory frameworks, a transparent, stable and predictable investment climate. It also requires the integration of aviation infrastructure into national development and investment plans, and diversified financing approaches, including private-sector participation, blended financing and airport networks.

Action: The conference is invited to:

- a) reaffirm the recognition that small and regional airports are strategic assets that provide essential connectivity and deliver significant socio-economic benefits;
- b) encourage States to integrate small and regional airports into national development and investment plans, ensuring that airport infrastructure needs are reflected in national transport, economic, infrastructure and financing priorities;
- c) encourage States to establish enabling institutional, legal and regulatory frameworks and a transparent, stable and predictable investment climate to facilitate long-term investment and diversified financing for small and regional airports, consistent with ICAO Assembly Resolution A42-26; and

¹ English, Arabic, Chinese, French, Russian and Spanish versions provided by ACI.

d) encourage States to support, where appropriate, airport networks, private-sector participation and blended financing as complementary financing approaches to enable the long-term financial viability of small and regional airports and preserve essential connectivity.	
<i>Strategic Goal:</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>	N/A
<i>References:</i>	ICAO Assembly Resolution A42-26: <i>Consolidated statement of continuing ICAO policies in the air transport field, 2025</i> <i>ACI Airport Development Concession Agreements, 2025</i> <i>ACI Airport Development Models, 2026</i> <i>ACI Policy Brief: Airport Networks and the Sustainability of Small Airports, 2019</i> <i>ACI World Airport Traffic Report, 2026</i> <i>ACI World Airport Economics Report, 2026</i> <i>ACI World Airport Traffic Forecasts 2025–2054, 2026</i> <i>Doc 9082, ICAO's Policies on Charges for Airports and Air Navigation Services, 10th Edition, 2024</i> <i>ATAG, Aviation: Benefits Beyond Borders – Regional Analyses</i>

1. INTRODUCTION

1.1 Airports generate powerful multiplier effects: employment (direct, indirect and induced), catalytic effects from trade and tourism, and supply-chain development that extend well beyond their perimeter. Regional economies often depend on reliable air links for investment, time-sensitive freight and visitor flows. Airports, in particular small and regional airports, also provide essential social benefits by ensuring access to remote and isolated communities, supporting territorial cohesion, and facilitating access to essential services, including healthcare, education and emergency response. Emerging forms of air mobility may further expand the role of these airports by creating new opportunities for regional and feeder connectivity.

1.2 Airport infrastructure is characterized by high capital intensity, periodic investment cycles and long payback periods. Airside pavements, terminals, safety and security systems, and environmental protection demand large up-front outlays; planning and construction periods are long; returns typically arise only after traffic reaches sufficient scale to cover depreciation, debt service and operating costs. As a result, airport cash flows are often back-loaded relative to initial investment risk.

1.3 States are increasingly looking beyond traditional public funding to meet growing airport infrastructure investment needs. Degrees of commercialization, privatization and public-private partnerships (PPPs) are being considered to mobilize capital, expertise and operational efficiencies. In this context, the International Civil Aviation Organization (ICAO) Assembly Resolution A42-26, *Consolidated statement of continuing ICAO policies in the air transport field*, “urges Member States to establish good governance, for example, the creation of enabling institutional, legal and regulatory frameworks” and “encourages Member States to establish a transparent, stable and predictable investment climate to support aviation infrastructure development, for example, by engaging stakeholders, diversifying funding sources and elevating the role of private sector, including through private investment, business reform, private finance initiatives, public-private partnership and various incentive schemes”.

2. THE ROLE OF SMALL AND REGIONAL AIRPORTS AND ECONOMIES OF SCALE

2.1 Definitions of small and regional airports vary across jurisdictions and are typically based on passenger traffic, airport function or public policy objectives. For analytical consistency, this paper adopts the Airports Council International's (ACI) definition of airports handling five million passengers per annum (ppa) or fewer. Many of these airports are located in Least Developed Countries (LDCs), Landlocked Developing Countries (LLDCs) and Small Island Developing States (SIDS), where air transport is essential for connectivity, trade, tourism and socio-economic development.

2.2 According to Air Transport Action Group's (ATAG) *Aviation: Benefits Beyond Borders* analysis², air transport supports 2 million jobs and US\$46 billion in gross domestic product (GDP) in Small Island States, equivalent to 8.7 per cent of total employment and 12.8 per cent of GDP; while in LLDCs it supports 2.9 million jobs and US\$24 billion in GDP.

2.3 ACI data indicate that approximately 90 per cent of airports worldwide handle five million passengers per annum (ppa) or fewer, underscoring the structural importance of small and regional airports within the global airport network.

2.4 Airport financial performance is closely linked to scale. The limited traffic volumes of small and regional airports constrain their ability to achieve economies of scale. Fixed costs—including depreciation, debt service, baseline staffing, and mandatory safety and security requirements—do not vary proportionately with traffic volumes.

2.5 These structural characteristics are reflected in airport financial viability. Airports handling fewer than five million passengers per annum (ppa) incur significantly higher unit costs than larger airports, with the highest costs recorded among airports handling fewer than one million ppa. Airports handling fewer than one million ppa are also the only airport size category with a negative return on invested capital (ROIC). More than 60 per cent of airports handling fewer than one million ppa recorded net losses in 2024, increasing to around 80 per cent when non-operating income is excluded. For many airports handling fewer than five million ppa, subsidies, grants and other non-operating revenues therefore remain essential to maintaining financial viability and preserving air connectivity.

2.6 Long-term traffic projections indicate that many small and regional airports, particularly those serving island communities, will continue to face structural growth constraints. ACI projects annual passenger growth of 2.3 per cent for Pacific Island States and territories and 1.8 per cent for Caribbean countries and territories, below the 3.0 per cent global average. These projections reinforce the need for enabling policy frameworks and diversified financing approaches to ensure the long-term financial viability of small and regional airports.

3. GLOBAL POLICY: ICAO ASSEMBLY RESOLUTION A42-26

3.1 ICAO Assembly Resolution A42-26, *Consolidated statement of continuing ICAO policies in the air transport field*, urges Member States to establish good governance, for example, the creation of enabling institutional, legal and regulatory frameworks, the use of a data-driven approach, and the cooperation and compatible decision-making among transport authorities and other ministries in charge of related portfolios, which can provide a strong impetus to boost investment in aviation infrastructure.

² ATAG, abbb2024_small-island-states.pdfabbb2024_lldc.pdf

3.2 The Resolution also encourages Member States to establish a transparent, stable and predictable investment climate to support aviation infrastructure development, for example, by engaging stakeholders, diversifying funding sources and elevating the role of private sector, including through private investment, business reform, private finance initiatives, public-private partnership and various incentive schemes.

4. PRIVATE-SECTOR PARTICIPATION AND AIRPORT NETWORKS: FINANCING APPROACHES FOR SMALL AND REGIONAL AIRPORTS

4.1 Consistent with ICAO Assembly Resolution A42-26, States are encouraged to establish a transparent, stable and predictable investment climate to support airport infrastructure development by diversifying funding sources and elevating the role of the private sector.

4.2 Private-sector participation encompasses a spectrum of arrangements ranging from management contracts and leases to concessions and partial or full divestments, reflecting increasing levels of private investment, operational responsibility and risk transfer.

4.3 For small and regional airports with limited commercial viability, blended financing can combine public funding and private investment to improve project bankability and facilitate long-term infrastructure development where commercial financing alone may not be sufficient.

4.4 Private-sector participation is now well established globally. More than 850 airports in over 90 countries involve some form of private-sector participation, accounting for 49 per cent of global passenger traffic. Europe and Latin America and the Caribbean provide leading examples, with approximately 42 per cent and 56 per cent of commercial airports, respectively, with private-sector participation. In both regions, these airports handle approximately 81 per cent of regional passenger traffic³.

4.5 ACI also recognizes the value of airport networks—two or more airports within a State operated under a single ownership, management, financial frameworks and control structure—in sustaining financially non-viable airports that provide essential connectivity and socio-economic benefits.

4.6 Airport networks represent an established approach to supporting the long-term viability of small and regional airports. According to ACI, 78 per cent of ICAO Member States have some form of airport network arrangement, while 55 per cent of the world's airports belong to airport networks. Importantly, 56 per cent of all small airports worldwide are operated within airport networks⁴.

4.7 Airport networks generate economies of scale and scope by pooling management, procurement, administration, financing and commercial activities. They also enable cross-subsidization from larger to smaller airports, helping preserve essential connectivity and sustain airports that may not be financially viable as stand-alone operations.

5. CONCLUSION

5.1 Small and regional airports are strategic assets that support connectivity, economic development and social inclusion. Addressing their structural financing challenges requires integrated national planning, enabling institutional, legal and regulatory frameworks, and diversified financing

³ ACI Airport Development Concession Agreements, 2025

⁴ ACI Policy Brief: Airport Networks and the Sustainability of Small Airports, 2019

approaches. Airport networks, private-sector participation and blended financing can strengthen the long-term financial viability of small and regional airports while preserving essential connectivity.

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