



ASSEMBLY — 42ND SESSION

ECONOMIC COMMISSION

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

ENHANCING NON-AERONAUTICAL REVENUES AT AIRPORTS – AN INDIAN
PERSPECTIVE ON GLOBAL STRATEGIES

(Presented by India)

EXECUTIVE SUMMARY

Airports worldwide are facing increasing pressure to diversify revenue streams and reduce dependence on aeronautical charges. In the Indian context—marked by rapid traffic growth, public-private partnerships, and tiered airport development—enhancing non-aeronautical revenue is both a necessity and a strategic opportunity. Governments and airport operators worldwide are increasingly embracing the **aerotropolis— or airport city—model** to generate revenue beyond aviation fees. These developments typically include hotels, retail, conference centers, logistics parks, and office districts within or adjacent to the airport.

This paper outlines key global best practices and how they can be contextualized and implemented in India and other developing economies to strengthen financial sustainability, enhance passenger experience, and improve airport competitiveness. This paper examines the evolution of non-aeronautical agreements between airport operators and airlines in India, highlighting the Aviation Urbanism ie growing strategic importance in the post-liberalization era. It aligns with the *International Civil Aviation Organization's (ICAO) Policies on Charges for Airports and Air Navigation Services* (Doc 9082) and recommends the development of harmonized frameworks to ensure transparency, equity, and innovation in commercial partnerships under ICAO's 'No Country Left Behind' initiative.

Action: The Assembly is invited to:

- a) endorse and recognize the growing strategic importance of non-aeronautical agreements;
- b) encourage ICAO to develop guidance material and model clauses for such agreements; and
- c) recommend States to adopt transparent, equitable, and innovation-friendly practices in line with ICAO's economic policies.

<i>Strategic Goals:</i>	This working paper relates to the 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>	Doc 9082, <i>ICAO's Policies on Charges for Airports and Air Navigation Services</i> Doc 9562, <i>Airport Economics Manual</i> Doc 9161, <i>Manual on Air Navigation Services Economics</i>

1. INTRODUCTION

1.1 Airports have transitioned from infrastructure providers to commercial enterprises.

1.2 India's civil aviation sector has undergone significant transformation, with Public-Private Partnership (PPP) models driving airport modernization.

1.3 Non-aeronautical revenues—such as retail, advertising, car parking, duty free shops and lounge services—now constitute over 40% of total airport income at major hubs.

1.4 This trend reflects the evolution of airports into commercial hubs that offer retail, real estate, digital, and experience-based services.

1.5 Airlines are increasingly collaborating with airport operators to co-develop these services, enhancing both passenger experience and financial sustainability.

1.6 Indian airports, particularly metro and brownfield PPP airports, have adopted several global practices. However, challenges persist at regional and smaller airports due to regulatory, infrastructural, and market constraints.

2. DISCUSSION

2.1 *ICAO's Policies on Charges for Airports and Air Navigation Services* (Doc 9082) emphasize transparency, cost-relatedness, and consultation with users in airport charges including non-aeronautical services.

2.2 The 6th Worldwide Air Transport Conference (ATConf/6) recognized the need for flexible, market-driven approaches to airport economics.

2.3 Non-aeronautical agreements are often governed by concession contracts, joint ventures, or revenue-sharing models.

2.4 Key Trends in Non-Aeronautical Agreements

- a) Joint Retail Ventures: Airlines and airports co-invest in duty-free and food & beverage outlets.
- b) Lounge Partnerships: Airlines lease or co-manage premium lounges with airport operators. Co-branded lounges and pay-per-use models are expanding.
- c) Data Sharing Agreements: Collaborative use of passenger data to optimize retail targeting.
- d) Digital Integration: Agreements increasingly include data-sharing protocols to personalize services.
- e) Sustainability Clauses: New agreements include ESG (Environmental, Social, Governance) metrics. ESG metrics are being embedded in new contracts, in line with India's net-zero goals.
- f) Retail and food and beverage (F&B) Concessions: Airlines partner with airports to offer curated retail experiences.

2.5 Global Best Practices in Non-Aeronautical Revenue Generation

- a) Retail and Concessions Optimization
 - (i) Use of data analytics to tailor passenger offerings.
 - (ii) Flexible concession contracts based on passenger throughput and hybrid rent models.
 - (iii) Incorporation of duty-free, F&B, wellness, and local crafts in terminal design.
 - b) Digital and E-Commerce Integration
 - (i) Mobile commerce, pre-ordering apps, digital advertising, and targeted promotions.
 - (ii) Monetization of passenger data with appropriate safeguards (e.g., targeted Wi-Fi advertising).
 - c) Real Estate and Land Monetization
 - (i) Airport cities and aerotropolis models.
 - (ii) Leasing for hotels, warehousing, logistics parks, and business zones.
 - d) Advertising and Sponsorship
 - (i) Programmatic digital advertising networks.
 - (ii) Experiential zones sponsored by brands (e.g., gaming zones, lounges).
 - e) Innovation through PPPs
 - (i) PPPs in commercial development have enabled greater risk-sharing and innovation.
- 2.6 Indian Perspective and Strategic Priorities
- a) Tiered Approach to Non-Aeronautical Revenue Development
 - (i) Metro Airports: Mature ecosystems with strong commercial potential. Focus on premium retail, real estate, e-commerce.
 - (ii) Tier 2/3 Airports: Emphasis on local crafts, small and medium-sized enterprises (SME) partnerships, and community-based retail.
 - (iii) Remote Airports: Limited scope; explore solar farms, government tenancy, and logistics partnerships.
- 2.7 Regulatory Harmonization and Support
- (i) Encourage flexibility in lease terms, advertising rights, and pricing models.
 - (ii) Align airport economic regulations with commercial innovation.
- 2.8 Capacity Building and Knowledge Sharing
- (i) ICAO/Airports Council International (ACI) can play a key role in disseminating global best practices to smaller operators.
- 2.9 Sustainability and Green Revenue
- (i) Promote green-certified retail partners and electric vehicle rentals.

- (ii) Carbon credit monetization from airport solar and waste initiatives.

2.10 Challenges and Considerations

- a) Regulatory Oversight: Lack of standardized frameworks across jurisdictions. Variability in agreement formats across airports.
- b) Regulatory Gaps: Limited oversight of non-aeronautical agreements compared to aeronautical charges.
- c) Revenue Allocation: Disputes over fair distribution of non-aeronautical income. Need for clearer guidelines on revenue allocation and risk-sharing.
- d) Market Power Imbalance: Smaller airlines may lack bargaining power in negotiations.
- e) Digital Disruption: E-commerce and mobile ordering challenge traditional concession models.
- f) Capacity Constraints: High passenger volumes strain commercial spaces, impacting service quality.

3. CONCLUSION:

3.1 ICAO may consider formulating a global Non-Aeronautical Revenue Development

- a) Framework with tailored modules for:
 - (i) airport categories based on size and traffic;
 - (ii) regulatory alignment and concession models; and
 - (iii) digital and real estate monetization.
- b) Member States are encouraged to:
 - (i) share model concession agreements and Non-Aeronautical Revenue strategies through ICAO/ACI platforms;
 - (ii) support developing States with knowledge transfer and training; and
 - (iii) recognize non-aeronautical revenue as critical to financial resilience post-COVID-19.
- c) Encourage transparent consultation processes between airports and airlines.
- d) Promote capacity-building workshops for regulators and stakeholders on commercial best practices.
- e) Support data-driven benchmarking of non-aeronautical revenue performance.
- f) ICAO should develop model templates for non-aeronautical agreements, adaptable to national contexts.
- g) Encourage consultative mechanisms between airlines and airport operators.
- h) Promote capacity-building programs for Indian regulators and airport managers on global best practices.
- i) Support benchmarking initiatives to compare non-aeronautical revenue performance across ICAO Member States.

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