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Agenda Item 26: Economic Development of Air Transport

FINANCING PATHWAYS FOR SMALL, EMERGING AND REGIONAL AIRPORTS

(Presented by Airports Council International (ACI))

EXECUTIVE SUMMARY

Small, emerging and regional airports (SERAs) make up the overwhelming majority of the world's airports, yet most operate at persistent financial losses because fixed infrastructure costs are spread over low traffic volumes. Nonetheless, these airports provide indispensable regional connectivity, jobs and commercial benefits, social inclusion, trade and tourism development, and system resilience by feeding traffic into larger hubs. In an era of constrained public budgets, States are reassessing how best to sustain this infrastructure through targeted subsidies, network cross-subsidization, proportionate regulation, and appropriately structured public-private partnerships (PPPs). ICAO Assembly Resolution A41-27 reminds Member States that they remain responsible under Article 28 of the Chicago Convention to support SERAs, regardless of commercialization or privatization and encourages States to “establish a transparent, stable and predictable investment climate... elevating the role of private sector... [including] public-private partnership.” ACI, which is neutral regarding airport ownership models (public, private, or mixed), recognizes that many governments are highly indebted; consequently, diversified funding sources for airports, including private capital, must be considered. An ACI World Annual General Assembly Resolution adopted in 2022 calls on governments, industry, and ICAO to collaborate in supporting SERAs, through capital, human resources, renewable energy, and risk-based regulation - all of which support ICAO policies.

<i>Strategic Goals:</i>	This information paper relates to Strategic Goal: <i>Economic Development – Foster development of an economically viable aviation system delivering prosperity for all.</i>
<i>Financial implications:</i>	No

References:	<i>ICAO Assembly Resolution A41-27: Consolidated statement of continuing ICAO policies in the air transport field, Appendix C – Airports and air navigation services economics (Montréal, 7 Oct 2022).</i> <i>ACI World General Assembly Resolution #5: Support and assistance for small, emerging and regional airports (32nd WAGA, Marrakech, 25 Oct 2022).</i> <i>ACI World Policy Brief: Creating Fertile Grounds for Private Investment in Airports (ACI, Montréal, 2018)</i> <i>ACI World Airport Development Concession Agreements: Global Approaches and Guidelines for Public-Private Partnerships (Montréal, 2025).</i> <i>European Commission. State aid Guidelines on aid to airports and airlines – transitional operating-aid regime for regional airports prolonged to 3 Apr 2027 (EUR-Lex C 244/1, 11 Jul 2023; EC updates).</i> <i>ACI World. Airport Economics Report 2025 (Montréal, 2025).</i> <i>ACI EUROPE. Press Release: 'EU's 2027 deadline for operating aid puts regional airports at risk' and related Oxera submissions (Brussels, 5 Mar 2025).</i>
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1. INTRODUCTION

1.1 Airports generate powerful multiplier effects: employment (direct, indirect, induced), catalytic 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.

1.2 These benefits carry high capital investment requirements concentrated over the short term. Airside pavements, terminals, safety and security systems, and environmental protection demand large up-front outlays; planning and construction cycles are long; returns typically arise only after traffic reaches sufficient scale to cover depreciation, debt-service and operating costs—so cash flows are back-loaded relative to initial risk.

1.3 Post-pandemic fiscal pressures — mainly elevated public debt and competing social programmes— are driving States to look beyond public funding. Degrees of commercialization, privatization and PPPs are being revisited to mobilize capital and know-how. The International Civil Aviation Organization (ICAO) Assembly Resolution A41-27, Section II – Aviation Infrastructure Management, acknowledges this shift 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. SCALE ECONOMICS AND THE ROLE OF SMALL AIRPORTS

2.1 ACI data indicate approximately 90 per cent of airports handle 5 million passengers per annum (ppa) or fewer, underscoring the structural importance of low-volume facilities. Profitability correlates strongly with scale. About two-thirds of airports worldwide operate at a net loss, and the vast

majority of loss-makers—on the order of 97–98 per cent—process fewer than one million passengers per annum (ppa).

2.2 Fixed costs (depreciation, debt service, baseline staffing, mandatory safety/security compliance) do not shrink proportionally with traffic; unit costs for the smallest airports are multiples higher than at larger peers. Subsidies, grants and other non-operating revenues form a material share of income below the five million ppa band—evidence of structural scale disadvantages.

2.3 Yet, small airports deliver outsized public-interest value - connectivity, territorial cohesion, socio-economic development, tourism diversification, and community employment. ACI Resolution 5 (32nd World Annual General Assembly (WAGA), Marrakech, 25 Oct 2022) records these benefits and notes that small airports feed traffic into hubs, reinforcing system resilience.

2.4 Recovery has been uneven: evidence shows SERAs lag larger categories in restoring pre-COVID connectivity, heightening the risk of service erosion in peripheral regions in the absence of targeted support.

3. GLOBAL POLICY GUIDANCE: ICAO A41-27 & ACI RESOLUTION 5

3.1 ICAO Assembly Resolution A41-27 (Consolidated statement of continuing ICAO policies in the air transport field), Appendix C, Section II, addresses aviation infrastructure management and financing. It reminds Member States that “with regard to airports and air navigation services they remain responsible for the commitments they have assumed under Article 28 of the Convention, regardless of what entity or entities operate the airports or air navigation services concerned”.

3.2 Further, A41-27 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”.

3.3 ACI’s policy stance is neutral on airport ownership (public, private, mixed). What matters are outcomes: safe, secure, efficient, financially viable and sustainable airports. However, given high public debt in many States, diversified funding should be considered, including private capital and network solutions, to deliver needed infrastructure.

3.4 Complementing ICAO’s Assembly Resolutions and policies, ACI WAGA Resolution 5 (Support and assistance for small, emerging and regional airports¹) calls on governments, tourism and economic promotion agencies, and industry to assist SERAs in capital and human-resource development; to support their transition to renewable energy aligned with the airport industry’s Net Zero CO₂ by 2050 commitment and the ICAO Long-Term Global Aspirational Goal (LTAG); and to craft proportionate, risk-based regulatory frameworks—especially for aviation security—scaled to smaller airports.

¹ [32WAGA-RAK22-9-Resolution-5.pdf](#)

3.5 A41-27 and ACI Resolution 5 contain mutually reinforcing principles: States can harness private investment and network solutions while tailoring oversight so that small-airport economics do not impede broader connectivity and sustainability objectives.

4. PRIVATE SECTOR PARTICIPATION PATHWAYS FOR SMALL AIRPORTS

4.1 Private investors historically prioritized larger hubs or airports that were gateways to major destinations; however, adapted PPP structures are increasingly applied to smaller facilities when paired with policy support and risk-sharing. Three broad models could be considered: short-term management/Operations and Maintenance (O&M) contracts with limited capital obligations; Build-Operate-Transfer (BOT) or concession agreements in which the private party finances specified assets; and longer-tenor lease/equity transactions transferring broader commercial responsibilities.

4.2 Contract terms should align with capital recovery. Benchmarks show approximately nine years are required for management contracts, about thirty-five years for BOT concessions, and multi-decade (60+ year) horizons for long leases, illustrating how capital intensity drives contract duration.

4.3 Airport network or cluster concessions pool traffic and revenues across multiple aerodromes so stronger nodes cross-finance weaker ones—an approach highlighted in ACI policy materials and used in practice to sustain low-volume airports while attracting private expertise.

4.4 Hybrid Public-Private Partnerships (PPPs) for small airports often combine public or multilateral grants for heavy airside works with private operation of passenger facilities and commercial development under revenue-sharing or availability-payment structures; these reduce demand risk transferred to the private partner and can be scaled to thin-market contexts.

4.5 Effective risk allocation is central: construction risk may remain public where grant-funded; demand risk can be shared through minimum-revenue guarantees or availability payments; regulatory risk is mitigated by pre-defined tariff formulas; force-majeure clauses should enable transparent rebalancing.

4.6 Investor appetite hinges on regulatory certainty. Transparent tariff-setting rules tied to cost, quality and traffic triggers—as urged in ACI policy positions and ICAO economic statements—lower perceived risk premia and support sustained capital delivery over the concession life.

5. DRIVING TRAFFIC, REVENUE AND SUSTAINABILITY

5.1 Even where subsidies persist, entrepreneurial management can shrink dependence by growing throughput and diversifying revenue. Levers include data-driven route-development partnerships with airlines and tourism bodies; time-bound incentive schemes; expansion into air cargo niches; non-aeronautical commercial ventures such as landside development and renewables; and customer-experience initiatives that enhance dwell-time spending.

5.2 Smaller airports can achieve high percentage growth from low bases; post-pandemic data show that although certain segments lag in absolute recovery, individual sub-one-million-ppa airports have recorded outsized year-over-year gains—illustrating headroom where market fundamentals align. Targeted

analytics and joint data-sharing with tourism partners help focus scarce marketing funds on the most promising routes, improving incentive efficiency.

5.3 Environmental positioning increasingly influences route and funding decisions. ACI's Working Paper "Meeting Airports' Growing Energy Demands to Enable Decarbonization" and ACI Resolution 5 urge support for renewable and low-carbon energy deployment and related infrastructure to advance the airport industry's Long-Term Carbon Goal of net zero emissions by 2050, as well as ICAO's LTAG, linking sustainability investments directly to long-term competitiveness and financing eligibility.

6. SUGGESTED ACTION BY STATES

6.1 Acknowledge system value: Quantify the socio-economic externalities of SERAs-connectivity, regional Gross Domestic Product (GDP), cohesion, tourism, and community employment—when prioritizing investment and regulatory attention.

6.2 **Embed SERAs in national plans:** Incorporate SERAs' needs in integrated, data-driven aviation infrastructure programmes aligned with broader transport and development strategies, as encouraged in A41-27.

6.3 **Create enabling investment climates:** Establish stable, transparent legal and economic-regulatory frameworks for airport charges and service standards; ensure consultation with users; and provide clarity on cost-pass-through rules to reduce bid uncertainty—key prerequisites flagged by ICAO and ACI.

6.4 **Leverage blended finance & networks:** Where traffic is thin, structure PPPs that bundle airports into networks, pair private management with public or multilateral grants, or apply minimum-revenue/availability mechanisms so that risk allocation is proportionate to market fundamentals.

6.5 **Mobilize climate and development finance:** Align SERAs' investments with national climate plans to access green funds, development bank windows and carbon-credit revenue streams that can lower the cost of capital.

6.6 **Maintain targeted operating aid where justified:** Use evidence-based thresholds (e.g., EU State-aid framework) and updated profitability analyses (Oxera/ACI EUROPE) to calibrate duration and intensity of appropriate operating support needed to preserve regional links and advance decarbonization.

6.7 **Share experience:** Use ICAO and ACI data portals, workshops and peer reviews to disseminate good practice on SERAs' financing, regulation and PPP structuring.