



# What's Next for Regional Aviation

Aligning policy and capital to secure regional airport and economic growth



**Chris Cain** · Northpoint Aviation & the Regional & Business Airports Group (RABA)

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# Today's story

From an uneven recovery to a clear framework aligning smart regulation with targeted capital.

- 01** The two-speed sector & the policy blind spot

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- 02** Trends: demand, movements & forecasts

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- 03** The sector today — passengers & freight

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- 04** Strategic value: an airport ecosystem

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- 05** Challenges, threats & opportunities

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- 06** The economic prize & why policy must change

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- 07** Conclusions & headline policy asks

# A two-speed regional airport sector

The post-COVID story is not simple decline — it is **divergence**.



## Larger regional airports recovered & investable

- Traffic back to or above 2018; attracting long-term infrastructure capital
- £4bn+ of recent transactions — VINCI, Avi-Alliance, Macquarie, Aena, ICG
- Scale, property and diversified revenue spread fixed costs



## Smaller regional airports Still recovering - fragile with resilience issues

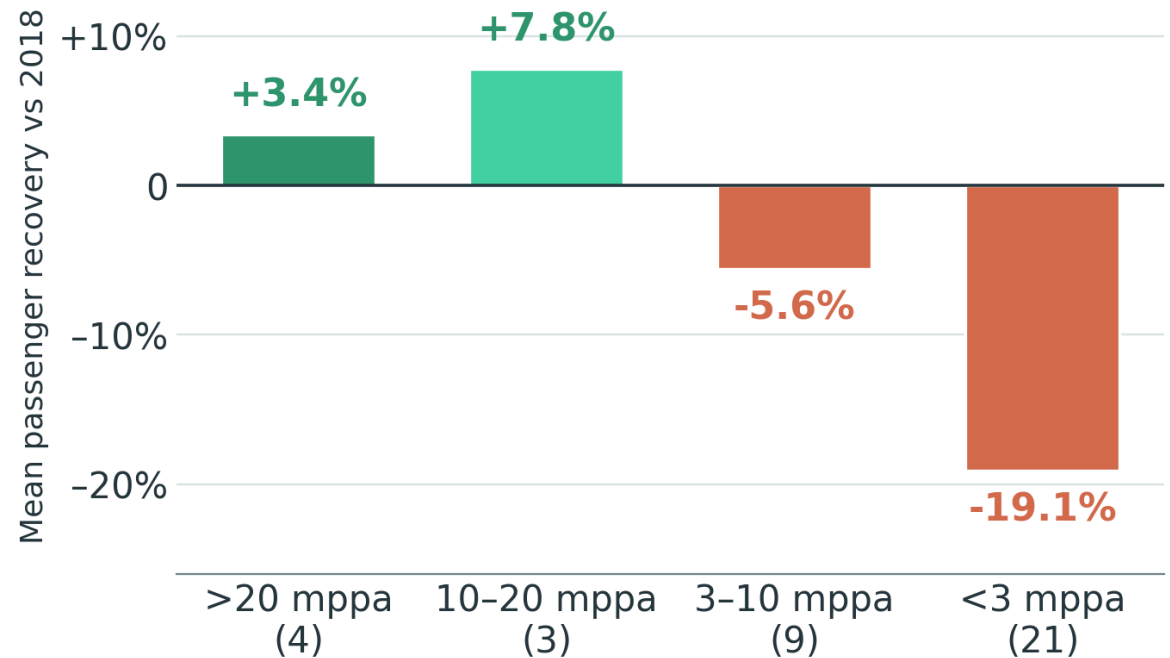
- Still materially below pre-COVID; thin-route economics
- Airline consolidation and disproportionate public-policy costs
- Strategically valuable, locally vital — but not commercially sustainable

**Purpose today:** make the case for a framework that keeps the fragile tier viable and unlocks its economic potential.

# The upper tier has recovered and is investable

## Recovery has not flowed evenly through the network.

- **Confidence in scale.** Long-term investors are buying larger regional assets — a vote of confidence in demand beyond Heathrow.
- **But the gap is structural.** The <3mppa band remained ~19% below 2018 and carries a closure risk (incl. Doncaster Sheffield, Plymouth, Manston).
- **“Regional” ≠ one market.** Manchester, Birmingham and Edinburgh have the same regional label as Wick, Dundee, Cardiff, Londonderry, Newquay and Humberside — but very different economics.
- **Local support matters.** Bournemouth, Prestwick and Southend show smaller airports can rebound where ownership, airline, place and public interest align the right business model, financial and policy support.



Mean 2024 passenger recovery vs 2018, by size band (airport count).

# A comprehensive policy framework the industry requires - long promised, but never delivered



## But have we arrived at a possible turning point?

With a change of national political leadership in prospect and an explicit push to **“rewire” growth away from a London-centric model**, regional aviation has an opening to be repositioned within national economic strategy — if the sector makes the case now.

# Demand has returned — but the structure has changed

## 20.8tn

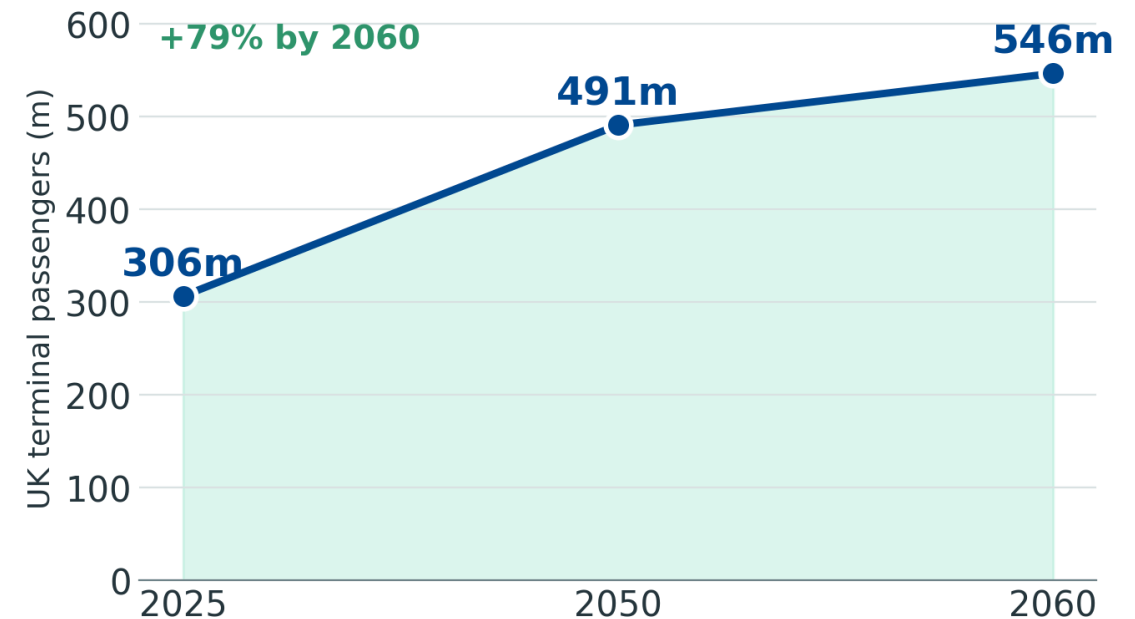
Global RPK by 2050  
from 9tn (2024) — IATA

## +0.8%

UK pax vs 2019 (2025)  
299.2m terminal pax

Mean short term growth has been limited, especially in the UK. But long-term growth prospects seem real, although likely to be distributed unevenly, both globally and domestically

- **More passengers, fewer flights.** UK ATMs remain ~7.5% below 2019 — implying the use of aircraft (particularly narrowbodies) with increased seat capacity and higher load factors.
- **Airport volumes are driven by scheduling frequency & ATMs, both of which are heavily influenced by aircraft basing decisions.** However, aggregating pax statistics as the basis for measuring the recovery masks lost routes, frequency and resilience.
- **In common with the main London airports, at large and medium-sized regional airports deployable capacity is now the constraint** — Significant investment needed; growth will accrue first to those with dense catchments, LCC bases and access to capital that can create operational headroom



DfT 2026 UK Aviation Forecast, Current Trends scenario.

# The regional system has lost capability

Aggregate recovery ≠ recovery of regional connectivity, route diversity or viability.

## 13+

**Regional airlines lost**  
in ~20 years — capacity, crews,  
AOCs & know-how

### Operators lost since 2005:

Air Wales · BA Connect · Highland · Air Southwest · Virgin Little Red · flybmi · Stobart Air · Flybe (×2) · Eastern Airways · Blue Islands

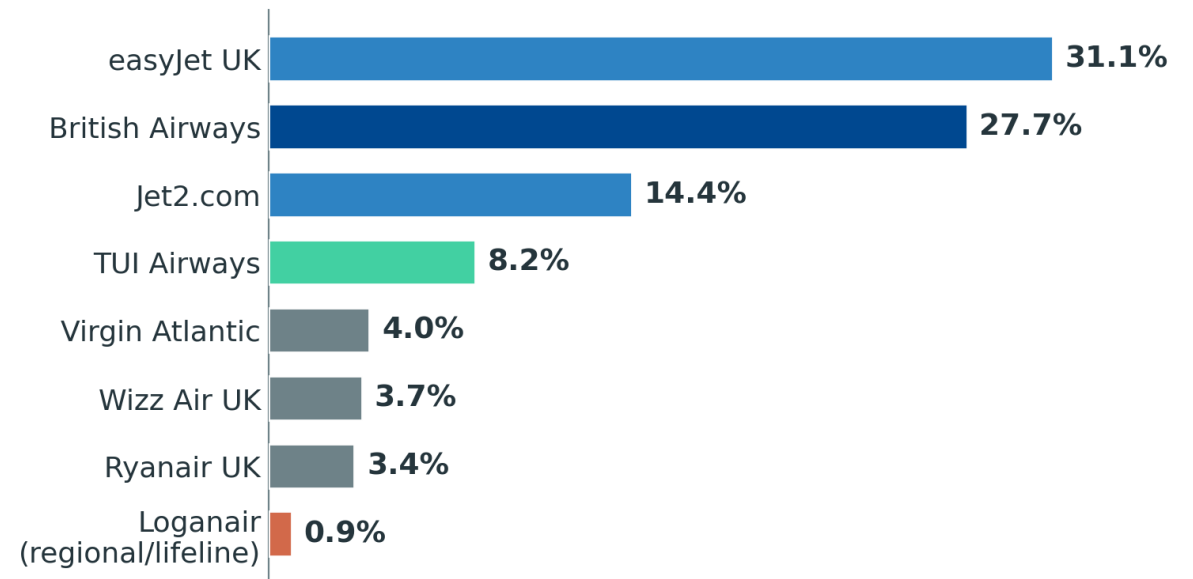
**UK Domestic traffic pre and post COVID declined by 13% from 39mppa in 2019 to 33mppa in 2025**

- **Not interchangeable.** Thin regional routes need smaller aircraft (either 19-50 or 70-120 seats), early/late rotations and hub feed
- An LCC will not simply step in on thin routes; and where they do it is typically at frequency lower than ideal for business/premium leisure markets
- **Airline strategy now sets the outcome.** Post-COVID economics favour larger gauge aircraft, flying thicker routes from stronger bases.

## Growth is concentrated in a few carriers

### Connectivity is not the same as volume.

- **Top four ≈ 81%.** easyJet, BA, Jet2 and TUI dominate; regional/lifeline flying is a small pax share but a large connectivity role.
- **Domestic is not one market.** UK–Ireland (40%), London–regional (36%) and cross-water routes each do a different job.
- **Thin ≠ unimportant.** Island, PSO and cross-water routes cannot be judged by volume or load factor alone.
- **International skews to the big five.** Foreign carriers concentrate on Manchester, Birmingham, Edinburgh — not the small tier.



UK carrier passenger share, 2025 (CAA airline activity).

# Freight is an under-represented regional prize

UK flown freight 2.66mt -  
+4.9% vs 2019; 33% by value

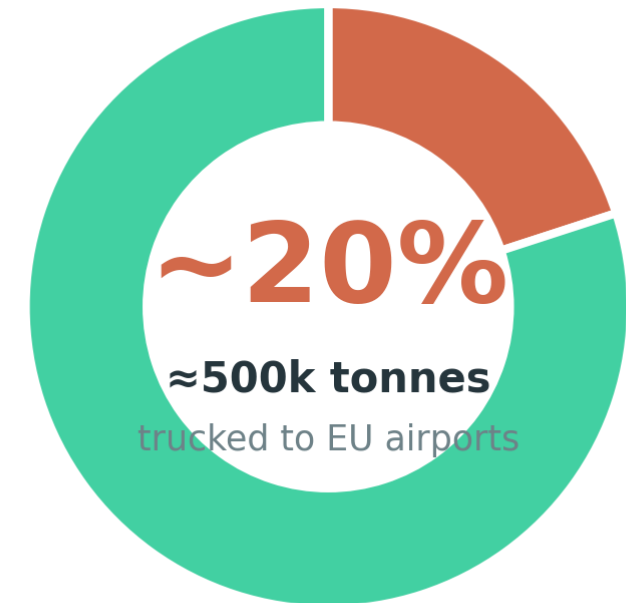
77% from London system  
airports 2025

EMA + STN are main freighter  
nodes

Heathrow dominates bellyhold  
operations

Ranking airports solely by passengers misses freight, aerospace/MRO, GA (including military and BusAv) and special-mission value.

- **A cargo demand/capacity gap is looming.** Bellyhold/freighter asymmetry and constraints at LHR, STN and EMA leave the UK short of freighter capacity.
- **~500k tonnes trucked to Europe.** ~20% of UK air freight flies from near-EU airports — time, cost, competitiveness for shipper, carbon and resilience all lost.
- **A network of dedicated regional freighter airports, linked with Heathrow bellyhold operations** by airline-coded trucks and complementing bellyhold operations at other London airports and Manchester would optimise available capacity, pricing and competition for shippers. Regional freight & integrator handling cutting cross-Channel leakage, would be economically, environmentally and commercially more efficient/reliable for UK trade



*UK O&D air freight leaking to near-EU airports (RABA Cargo Alliance).*

# An ecosystem — not a league table



- **Inverse relationship.** A few large airports carry most of the passenger traffic; the many deliver smaller volumes but provide reach & specialist capability.
- **Interdependent.** Remove a tier and the others do their own jobs less well.
- **Value ≠ passenger count.** Aviation underpins ≈4.8% of UK GDP and ~1.6m jobs across the layered system.

*Tiers & shares derived from CAA Airport Data 2024.*

# What only the smaller tiers can do

Mixed-use infrastructure platforms — not miniature versions of large airports.



## Lifeline & PSO

Island, remote & cross-water access



## Offshore energy

Helicopter & support operations



## Special mission

Air ambulance, SAR, police, medevac



## MRO & aerospace

Clusters, training & skills pipeline



## Business aviation

Time-critical connectivity & FBOs



## Future Flight

Drones, AAM & electric aircraft testbeds

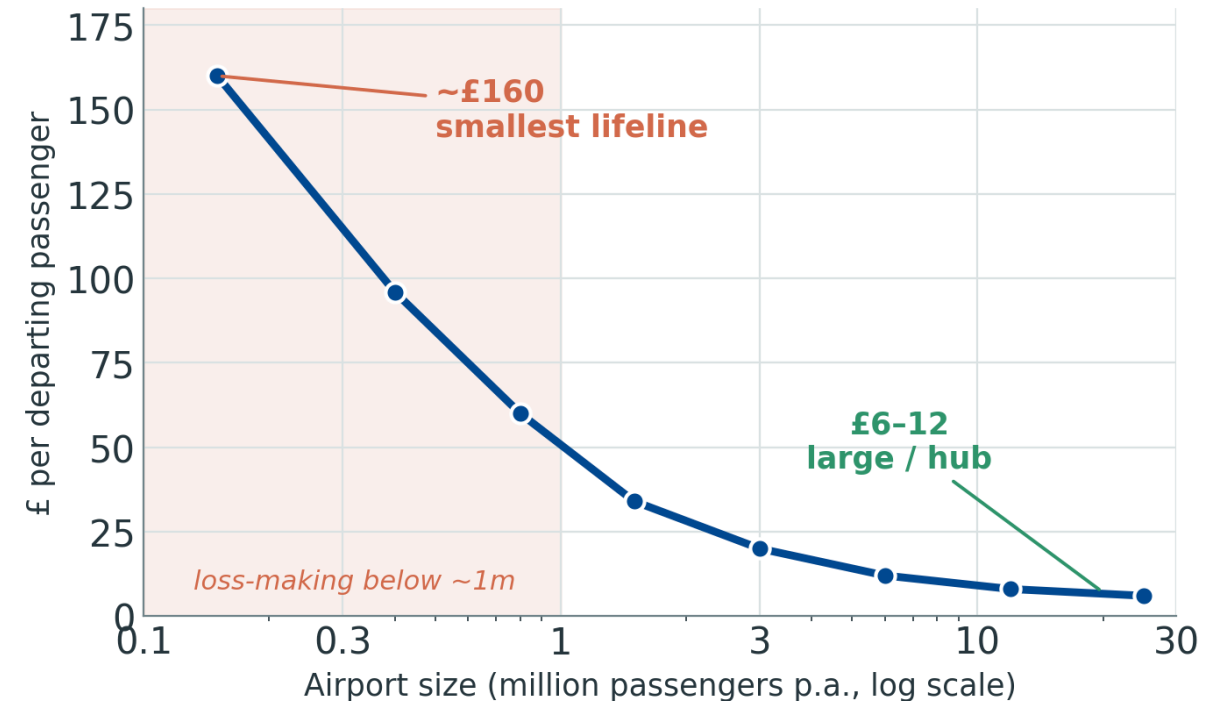
**Civil–military dual use** threads through all of these — spare runway, apron, RFFS and secure zoning offer defence resilience without publicly-funded competition.

## A regressive, fixed-cost base

Small route economics turn on a few pounds per passenger.

- **~£160 vs £6–12 / pax.** Fixed obligations — RFFS, security, ATC, border — barely fall with traffic.
- **Below ~1m pax = loss-making.** Profitability typically only emerges around 1-3m passengers.
- **A cumulative cost stack.** Business rates, UK ETS, SAF mandates, APD, policing & security.

**£5.1bn** aviation pays in annual taxes & charges vs  
**£0.15bn** of meaningful support (RABA UK ETS case).



*Unit cost of state-mandated obligations by airport size (RABA analysis).*

# From terminal building to broader economic platform

Diversified income turns a transport cost-centre into a resilient regional anchor.

## ● Air freight & logistics

The largest near-term prize — repatriate leaked cargo

## ● Aerospace, MRO & OEM

Skilled jobs, long leases, enterprise-zone and freeport clusters

## ● Civil-military dual use

Availability payments, activation, training & fuel

## ● Special mission & business aviation

Stable, non-seasonal, user-funded activity

## ● Future Flight, AAM & drones

Vertiports, UTM, medical logistics, testbeds

## ● Property, renewables & place-making

Business parks, solar & renewable, tourism/leisure and community facilities

**Each needs an enabler:** a National Air Freight Strategy, planning allocation, an MoD/DfT/HMT dual-use review, CAA innovation routes and local-plan recognition.

# Comparable states fund what UK airports self-fund

| State-mandated function    | UK      | France | Ireland | Canada     | US      |
|----------------------------|---------|--------|---------|------------|---------|
| Air traffic services (ATC) | Airport | State  | State   | State      | Federal |
| Security screening         | Airport | State* | State   | Federal    | Federal |
| Border control             | Airport | State  | State   | Federal    | Federal |
| Policing                   | Airport | State  | State   | Provincial | State   |

Indicative; \*State top-ups for small airports. Sources: RABA, IAA, Avinor, Transport Canada.

The burden is an artefact of policy design — which means changing policy can also fix it.

- **One-size-fits-all is regressive.** Uniform “user pays” is a policy choice — the Transport Act 2000 allows discretion.
- **Precedent already exists.** Courts upheld Cardiff's £205m support; the National Wealth Fund gives headroom.
- **The windows are open now.** Business rates, ANPS/Heathrow review and the Aviation Strategy refresh (due 2027).

# Punching far above their passenger weight

17.5m

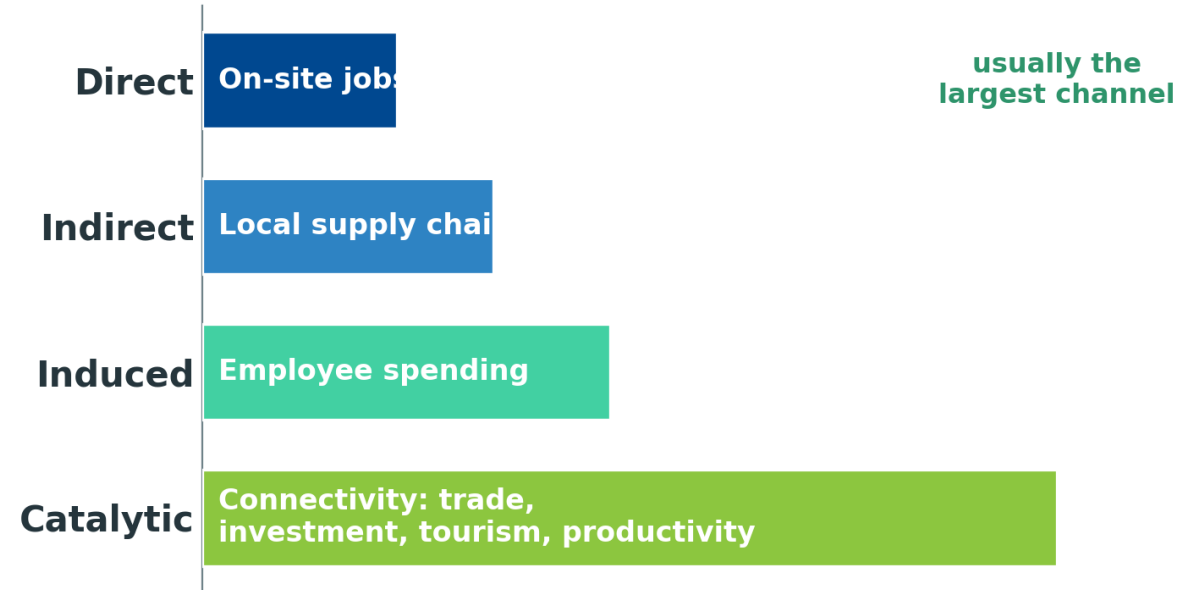
pax: sub-3mppa + BA  
small share of total

~300k

jobs supported  
higher GVA per pax

The value is not visible in a passenger count.

- **Catalytic value dominates.** Connectivity drives trade, inward investment, tourism & productivity.
- **+10% connectivity → +0.5% GDP/capita & +1.6% jobs.** For a peripheral region, the local airport is the connectivity.
- **Maximise it.** Aggregate demand with LAs, universities, tourism & inward-investment teams; protect aviation land.



*Four channels of airport economic impact (illustrative).*

# RABA — and the places it represents

~three-quarters of UK airports under 3mppa, plus dedicated business-aviation & special-mission sites.

## Rural & remote

Two- to three-hour drives to the nearest alternative

## Islands & cross-water

Scottish islands, Scilly, where the sea rules out road

## Secondary & tertiary cities

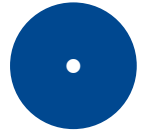
Gateways sustaining regional economies & skills

## Crown Dependencies

Jersey, Guernsey, Isle of Man lifeline links

**What RABA does:** evidence-led advocacy for differentiated, proportionate policy — cost analysis, PSO & connectivity, freight (RACA), dual-use with MoD, and Future Flight — so the smaller tier is not overlooked in a system built around scale.

# The diagnosis



## **A genuinely two-speed sector.**

The upper tier is investable and growing; the smaller tier is fragile but strategically vital.



## **Aggregate recovery hides real loss.**

Fewer movements, thinner networks and lost regional-airline capability that will not self-restore.



## **The market is not pricing public value.**

Lifeline, freight, energy, special-mission and dual-use functions sit outside airport accounts.



## **Decline is easier than recovery.**

Closure is quick; re-opening — and rebuilding capability — is slow, costly and often irreversible.

# What follows — a two-track agenda



## Airports

diversify & sharpen the offer

- Treat the airport as a platform, not a terminal
- Build mixed income: freight, MRO, property, energy, FBO
- Aggregate demand with LAs, employers & universities
- Position for dual-use, special mission & Future Flight



## Government

stops mis-pricing small-airport economics

- Proportionate, function-based regulation & charges
- Targeted capital where public value is clear
- Reformed PSOs, protected connectivity, EGNOS
- Airports recognised as regional growth hubs

**The insight:** the burden is largely an artefact of policy and regulatory design — and a political window to rebalance growth beyond London is now opening.

# Smart, proportionate regulation

The “policy” half of the equation — low-cost, high-leverage.

1

## Commission a regional & business aviation review

Alongside HENPS / ANPS — explicitly covering <3mppa, business & general aviation, special missions and freight.

2

## Apply a proportionality test to the cost stack

CAA charges, security, Border Force, policing, ATC, UK ETS/SAF, EGNOS/GNSS and business rates tested against size, risk and public value.

3

## Reform PSO, slot & connectivity rules

Enable region-to-region routes and protect hub access where justified on economic or Union-connectivity grounds.

4

## Stand up a smaller-airport working group

With RABA at the table, so policy is not set solely around large airports and airlines.

# Targeted capital & connectivity

The “capital” half — proportionate intervention for public value.

1

## Create a Regional Airport Resilience Fund

Capital using National Wealth Fund headroom, allocated against a live regional-airport risk map.

2

## Adopt a National Air Freight Strategy

A regional freight network to repatriate the ~20% of UK air cargo trucked to near-EU airports.

3

## Recognise airports as local growth hubs

In planning, devolution and industrial strategy — protect aviation land from default redevelopment.

4

## Study proven comparator models

The Irish Regional Airports Programme, Scottish & Welsh interventions, and US/European state-function funding.



THE ASK, IN ONE LINE

**Align smart regulation with targeted capital —**

and the smaller regional airport network stays commercially relevant, locally rooted and strategically useful.

*The alternative is a residual network managed decline by decline — and public value lost that is hard to rebuild.*



# Thank you

Let's keep the smaller regional airport network on the national growth agenda.



**Chris Cain** · Northpoint Aviation  
Regional & Business Airports Group (RABA)  
[www.rabagroup.co.uk](http://www.rabagroup.co.uk)