

Incentivising public and private investment in US airports

Infrastructure investment incentive grants (I3G) are designed to significantly increase funding for improvements to US airports by leveraging existing state and local assets, and federal dollars, to attract private capital for developing, improving and maintaining airport infrastructure.

Even after the passage of the Infrastructure Investment and Jobs Act, the Airports Council estimates that there is a shortfall of more than [\\$128 billion](#) in infrastructure funding for America's airports. To address this, the proposed I3G program provides a federal incentive for state and local governments to unlock the value of their existing airports and generate new revenues for infrastructure by entering long-term leases with the private sector for the operation of existing airport infrastructure assets. To qualify for the grants, a state or local government must commit to using the proceeds from the leases and the federal grants for additional airport improvements or other infrastructure.

While I3G is a new concept to the United States, a similar program has been extremely successful in Australia. The Australian program provided a federal bonus payment equal to 15 per cent of the net lease proceeds invested in infrastructure. To date, the Australian program has leveraged \$3 billion in federal funds into more than \$20 billion in total infrastructure investment.

Other key points related to infrastructure investment incentive grants include:

- State and local governments maintain ownership of the leased airports, and stipulate the minimum operating and maintenance standards required of the private investor or operator. These standards would be enforced by the terms of the lease contract.
- Proceeds from the lease must be invested in infrastructure – airports, surface, water, or broadband.
- All proceeds from the federal bonus payment must also be invested in infrastructure projects.
- Smaller state and local governments may bundle assets to help attract private investors. This provides opportunities for rural communities with smaller airports to use the program.
- The Build America Bureau in the US Department of Transportation can assist state and local governments by providing them with extensive best practice materials on how lease and concession contracts with private investors should be structured.