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Should Struggling Airports Be Turned Over to Companies?

St. Louis International could become the largest airport in the country under private control.

St. Louis has a vexing problem with its airport: It's too big.

Lambert International today handles only about half as much traffic as it did just over a decade ago. That's left the facility with more than enough runway capacity and a lot of empty gates.

Why the precipitous drop in traffic? Airline consolidations. When American Airlines took over TWA, which was based in St. Louis, it stopped using Lambert as a Midwestern hub. The airport has somewhat pulled out of that dive, especially as Southwest Airlines has expanded its operations there. But the city is still faced with the challenge of running an airport that's much larger than it needs to be.

Now, with the help of a think tank that promotes limited government, St. Louis is exploring whether a private operator might do a better job. Thanks to the Trump administration, which has promoted the value of public-private partnerships, the city can now see whether that plan is feasible.

"This approach to airport management increases productivity, revenue and operating efficiency for airports, creating greater access to capital for infrastructure needs," U.S. Transportation Secretary Elaine Chao said last month, pointing to the success of a similar effort in San Juan, Puerto Rico. Chao announced that the Federal Aviation Administration approved St. Louis' request to join a federal program that allows airports to be run by private operators. FAA approval is the first step in that process.

A Clinton-era law allows for airports to be privately managed but sets strict rules for how those deals are carried out. The complicated rules are one reason that not many cities have opted to go that route. St. Louis is the fourth — and largest — airport that currently has FAA permission to use a private operator. (Other airports, such as LaGuardia Airport in New York City, have leased individual terminals to private operators, but, unlike the potential St. Louis deal, all of the proceeds from those arrangements must remain in the airport.)

St. Louis is a long way from handing over the keys to its airport. Mayor Lyda Krewson, who assumed office a week before Chao's announcement, made that clear. "I appreciate their consideration of our application and look forward to working with the FAA throughout the process, but," she cautioned, "the key is in the details."

Krewson's predecessor, Francis Slay, brought the idea to the federal government, but the main driver behind the effort is Grow Missouri, Inc., a group funded by Rex Sinquefeld, an anti-tax activist who is a major force in Missouri politics.

Travis Brown, an organizer with Grow Missouri's Fly 314 Coalition, says there are many ways a private operator could attract new business, update the airport's facilities and even generate money

for the city.

He says a private operator could take a more strategic approach to running the airport. They could, for example, improve the facilities to attract new vendors, negotiate better flight schedules with airlines or lure more cargo business, Brown says. He points to airports in Memphis, Indianapolis and Louisville that have improved their fortunes by expanding cargo operations.

Brown is confident that private investors would be willing to take on a project like running the St. Louis airport. While the arrangement is seldom used in the United States, it is very common in Europe. Plus, Brown points out, Chicago came close to a similar deal for Midway International Airport in 2013. While that plan eventually sputtered out, it did show that airlines could be willing to go along with a privatization plan, which federal law requires for approval of the deal.

But Chicago's experience also highlights how tricky it can be to execute a move to a private operator. Mayor Rahm Emanuel pulled the plug on the efforts to lease Midway after nine months of exploring a deal. The mayor said the companies bidding on the airport did not offer enough protections for taxpayers.

"I learned in the private sector that sometimes the best deals are the ones you don't make," Emanuel wrote in a Chicago Tribune op-ed. "My most important goal was to protect the interests of the city and its taxpayers in a way that had not been done on previous public-private partnerships."

In other words, Emanuel wanted to avoid the storm of controversy that followed a 2008 deal authorized by his predecessor, Richard M. Daley, to lease the city's parking meters for 75 years. The \$1.2 billion deal led to skyrocketing parking costs, and the city's inspector general concluded that the value of the contract was far less than what the private consortium paid for it.

But Daley had tried to lease out Midway, as well. Chicago's city council approved the 99-year, \$2.5 billion deal just eight days after it had been made public. But the arrangement fell apart in 2009 when capital markets froze during the Great Recession, and the private investors could not find enough money for the deal.

Emanuel said the city had learned a lot from those experiences. "While this partnership did not work out, the process was not a waste of time," he wrote in the Tribune. He continued:

"There are five things we learned over the past six months that should guide any future public-private partnerships: first, a group of outside experts should be impaneled at the start of the process to monitor each step; second, there must be a minimum 30-day review by the City Council before the project is voted upon; third, there should be a clear set of standards so the public can judge a potential partnership when it is presented; fourth, the funds should be invested in infrastructure rather than used as a plug for short-term budget holes; fifth, a true public-private partnership requires that taxpayers maintain control of the asset and share in management decisions and financial profit."

Those experiences will loom large for St. Louis as it explores its airport lease.

Brown, from Fly 314, says the process will help St. Louis, no matter the outcome. "The worst thing that can happen is that we don't like the proposals we see, but we learn a lot about ourselves and what we should be doing," he says. "We think we're at least as good as Chicago."

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