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[A Way to Unlock the Value of an Airport.]

St. Louis is looking at a public-private partnership. If the issues are properly addressed, it's an idea well worth considering.

St. Louis Mayor Francis Slay recently asked the Federal Aviation Administration to consider allowing his city to enter into a public-private partnership to lease its airport to a qualified airport manager backed by private infrastructure funds — a model that exists in much of the rest of the world but not so much in the United States. The mayor's plan has the potential to unlock value now trapped in the airport to address broader city needs, and it could serve as an example of how local governments can produce resources without adverse budget or ratepayer impact at a time when the country is starved for infrastructure investment.

Local officials who have pledged to keep an open mind on the proposal have nevertheless raised issues that will need to be addressed. The issues are familiar ones to me. As mayor of Indianapolis in the 1990s, I did the country's first major full outsourcing of an airport. At the time our airport, as is true of St. Louis' Lambert International, was successful and well managed. I wanted to market-test whether a private company that specializes in airport management, with access to worldwide technology and best practices, could produce more customer satisfaction, better airline relationships and more net revenue while holding down increases in passenger enplanement costs.

My Indy transaction preceded and in part brought about congressional authorization of the [Airport Privatization Pilot Program] that Mayor Slay is requesting permission for St. Louis to join. This FAA program permits a limited number of cities to unlock the value they have created in this asset and deploy that value back into the community. Since in Indianapolis we did not have access to this FAA program, no matter how much money we saved the city could in no way benefit. This made no sense to me. If the airport didn't operate at maximum efficiency, the airlines and thus the passengers would pay more. If it did operate better, then why shouldn't the city benefit in a share of the revenues or receive repayment for some of its original contribution of land?

But we did it anyway, both to improve passenger satisfaction and enhance the airport's net revenues — both of which got better during the time the airport was operated by BAA, at the time the operator of London's airports. BAA agreed to a performance-based contract in which goals for improved operations, maintenance cost savings and better passenger experience levels had to be met before it received compensation. The project ended when BAA exited the U.S. market.

The anxieties raised by various St. Louis stakeholders are reasonable and should be addressed, and the best way to do that is by laying out at the rules from the beginning. Neither passengers nor the airlines should pay more as a result of any transaction. The city should be a financial partner in the deal, with its long-term interests aligned with the private operator through an ongoing revenue share. Customer-service levels should go up based on measurable, enforceable operating standards. The successful private manager should have specific requirements and incentives for significant capital investment in the airport and ancillary economic development. Overall, the transaction should be perceived as a win for the city, the community, the airport and the airlines.

A good model for the process is the most recent large U.S. airport public-private partnership, that of San Juan's airport. The Puerto Rico government brought the necessary political will to the P3 market and ran a thorough proposal process that resulted in a contract providing for over $1.2 billion in unrestricted proceeds to the territory's government and another $1.4 billion of capital investment at the airport over the 40-year lease to the private operator.

Mayor Slay's bold move to test this evolving market deserves support. The flying public, St. Louis taxpayers and the airlines deserve protection and continued excellence in operations and capital investment, and all of that can potentially be accomplished while producing significant unrestricted proceeds for the city.

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