

# Airport Privatization in the United States

Robert Puentes



**Eno**

Center for  
Transportation

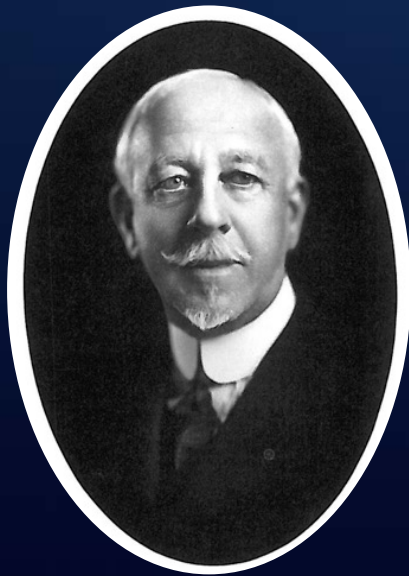


@EnoTrans  
@rpuentes

Japan International Transport Institute, USA (JITI)  
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# About the Eno Center for Transportation

Founded in 1921 by William Phelps Eno, inventor of the stop sign



Only think tank focused:  
On all modes of transportation  
Up and down the federalist chain  
With public, private, non-profit sectors

# Eno Aviation Working Group

Includes airlines, unions, general aviation, manufacturers, academics, former federal officials, others.

**NextGen**  
Aligning Costs, Benefits and Risks for Political Leaders

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April 2012

**Safer, Faster, Cheaper**  
Aviation Certification for Next-Generation Aircraft

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**Addressing Capacity Needs**  
U.S. Aviation

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**Time for Reform:**  
Delivering Modern Air Traffic Management

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**Eno Aviation Insights**  
Explaining the modern airline industry from an independent, objective perspective  
No. 6 • November 29, 2017

**Question: Where are airline passengers getting the best service?**

In the United States, airlines are often perceived by the public and portrayed in the media as not being customer-oriented and as focusing more on profits than on the experience of their passengers.<sup>1</sup> Along with anecdotal horror stories, passengers complain of high prices, nickel-and-diming, and limited options. Yet, in reality, the vast majority of fliers take their trips without incident, arrive on time to their destinations, and do so at relatively affordable fares.<sup>2</sup>

Consumer advocacy research supports the notion that what really matters to passengers is whether they can find affordable flights to where they want to go, and that they have some options on when to get there. Surveys, like the one conducted by the American Customer Satisfaction Index (ACSI) starting in 1994, give a measurable view of customer perception, as shown in Figure 1.<sup>3</sup> In 2016, airlines rank higher than some entire sectors such as "telecommunications" (ACSI index of 70.1 in 2016) and "government" (70.3), but still below the top-performing industries of "manufacturing" (82.1) and "e-commerce" (82.4).<sup>4</sup>

**Figure 1. American Customer Satisfaction Index**

— Airlines — All transportation companies

Year	Airlines	All transportation companies
1994	72.0	71.1
1996	72.0	71.1
1998	72.0	71.1
2000	72.0	71.1
2002	72.0	71.1
2004	72.0	71.1
2006	72.0	71.1
2008	72.0	71.1
2010	72.0	71.1
2012	72.0	71.1
2014	72.0	71.1
2016	75.8	75.0

Source: American Customer Satisfaction Index, "Airlines" and "Benchmarks by Sector," 2017.

# Context for the discussion today

**Concerns about the “Third-World” condition of airports in the U.S.**

**Growing interest in private sector involvement in many areas of infrastructure and transportation**

**International experiences and successful pilot in the U.S. piqued interest**

# Outline

1. Current policy governing airport privatization in the U.S.
2. Previous experiences / case studies
3. Latest proposals and policy reforms

# 1 FAA's Airport Privatization Program (APP)

Created in 1996 to foment airport privatization

Despite confidence it would succeed, only two airports were privatized



# 1 Why has airport privatization been anemic in the U.S?

## Regulatory hurdles

Tight restrictions on airport-generated revenue  
FAA has authority to approve/deny privatization

## Financial considerations

Publicly owned airports issue tax-free debt  
Private airports receive lower federal \$ shares

## Perceptions of problems

Governments do not lack access to money  
Many airports are well-run as public assets

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## Stewart International Airport

Owned by New York state until 1999

99-year concession to National Express Group (UK)

Goal was for an alternative to congested  
New York City airports

*Clear failure:*

Ill-equipped private firm; airport lost passengers (partly  
due to 9/11) and lease was terminated in 2007.

Now owned by Port Authority of New York & New Jersey

## San Juan Airport

Owned by Puerto Rico Ports Authority

Leased in 2013 to Aerostar (MX/US) for 40 years

Up-front payment (\$615 million) paid off public debt

### *Clear success:*

Political will to privatize; extensive renovations to all terminals; modern automated baggage system, retained workforce

# U.S. Experiences

## Other

St. Louis Lambert International Airport went from 31 million passengers in 2001 to 14 million in 2016 and entered into APPP in 2017

Hendry County Airglades Airport (FL) and Westchester County Airport (NY) also applied

Chicago Midway, New Orleans, Niagara Falls withdrew applications

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# Preliminary draft of Administration's infrastructure plan includes:

Repeal of double-super-majority airline approval for entry to APPP down to simple majority

Repeal limitations on the number and size of airports that may participate in APPP

Various provisions further encourage the use of private activity bonds (PABs)

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