

# “The US Model”

Presented to: International Seminar on Airport  
Concession

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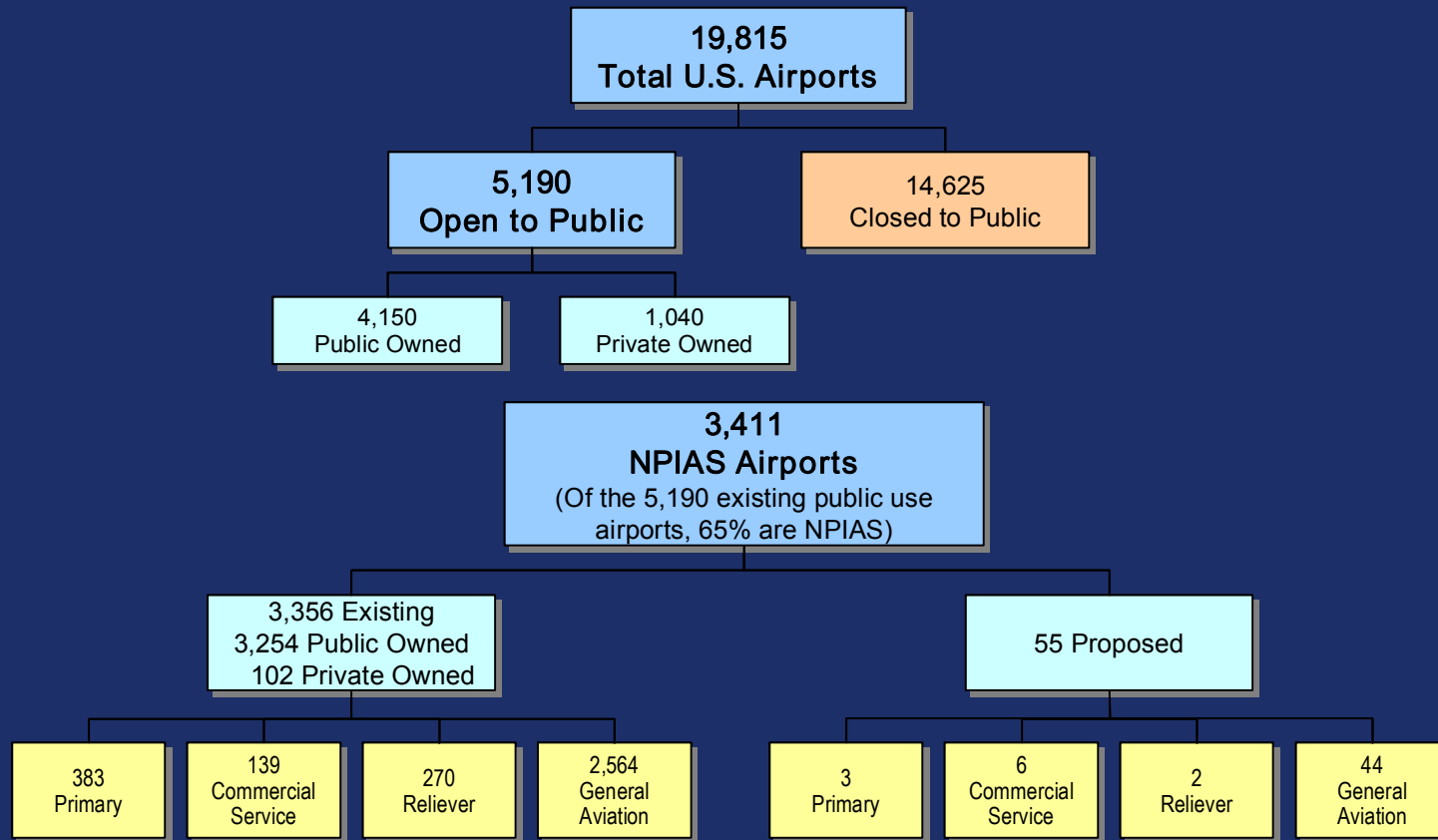
Date: December 11, 2008



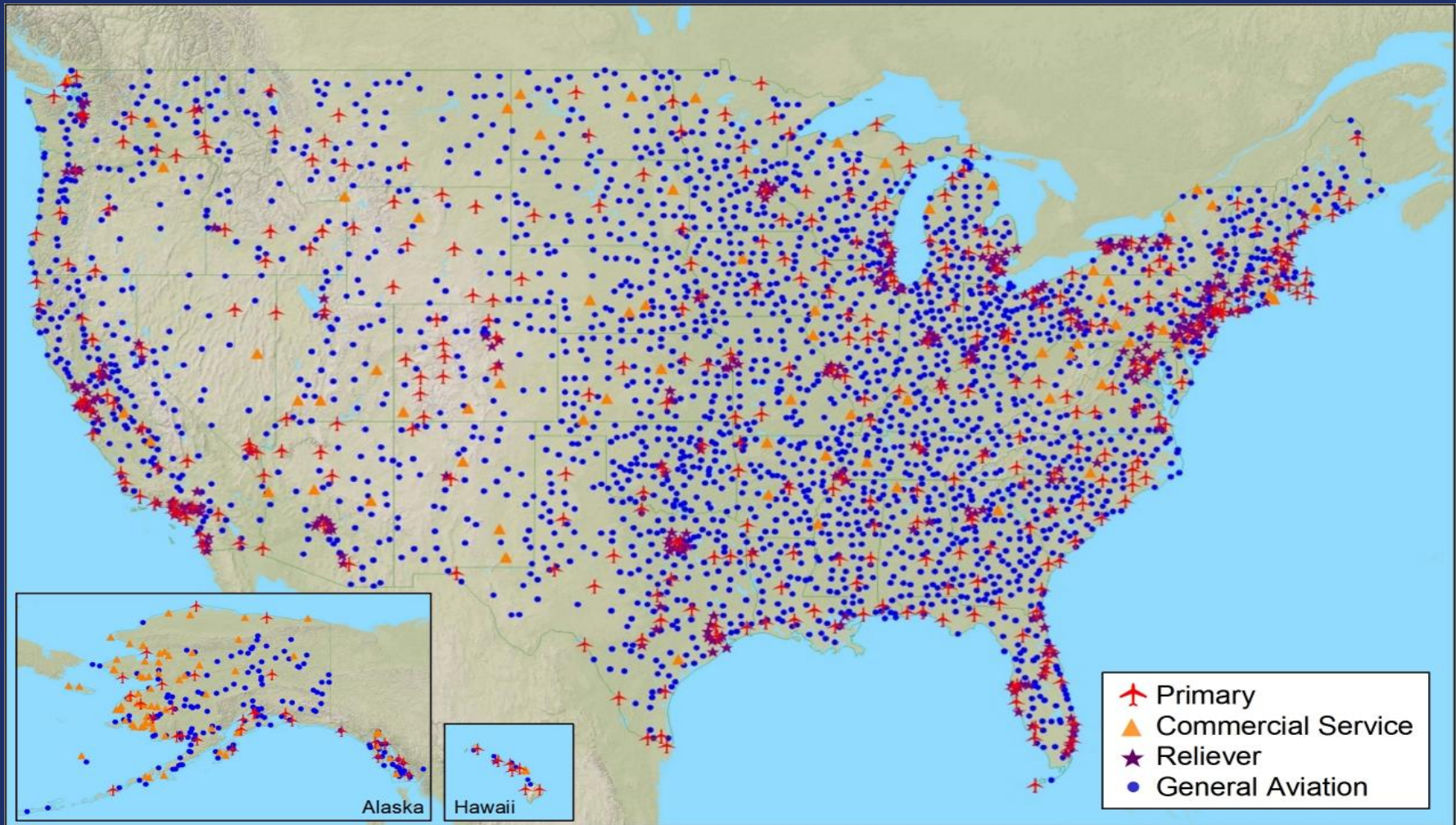
Federal Aviation  
Administration



# Number of Existing and Proposed Airports by Ownership and Use

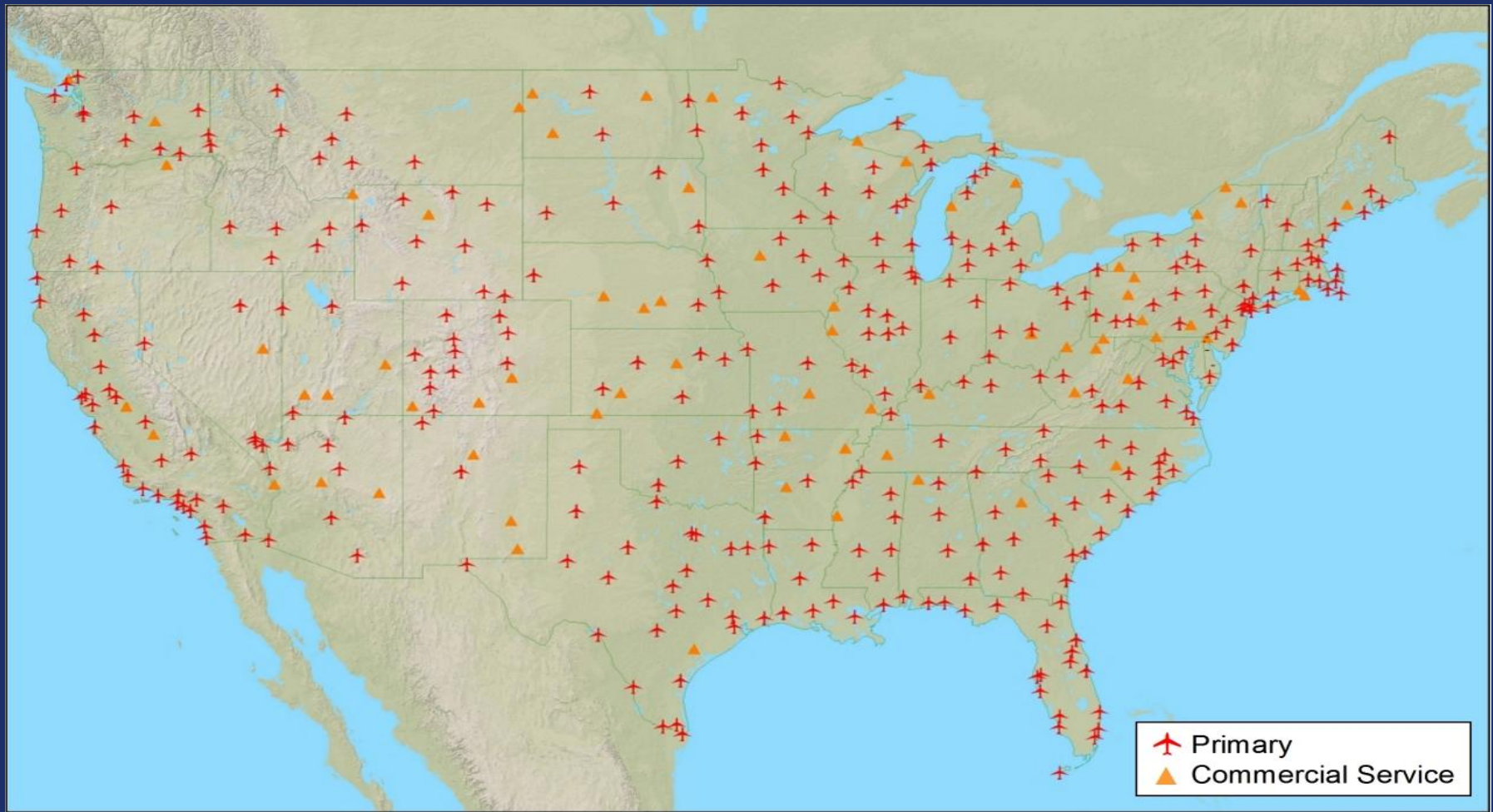


# Airports Included In The NPIAS

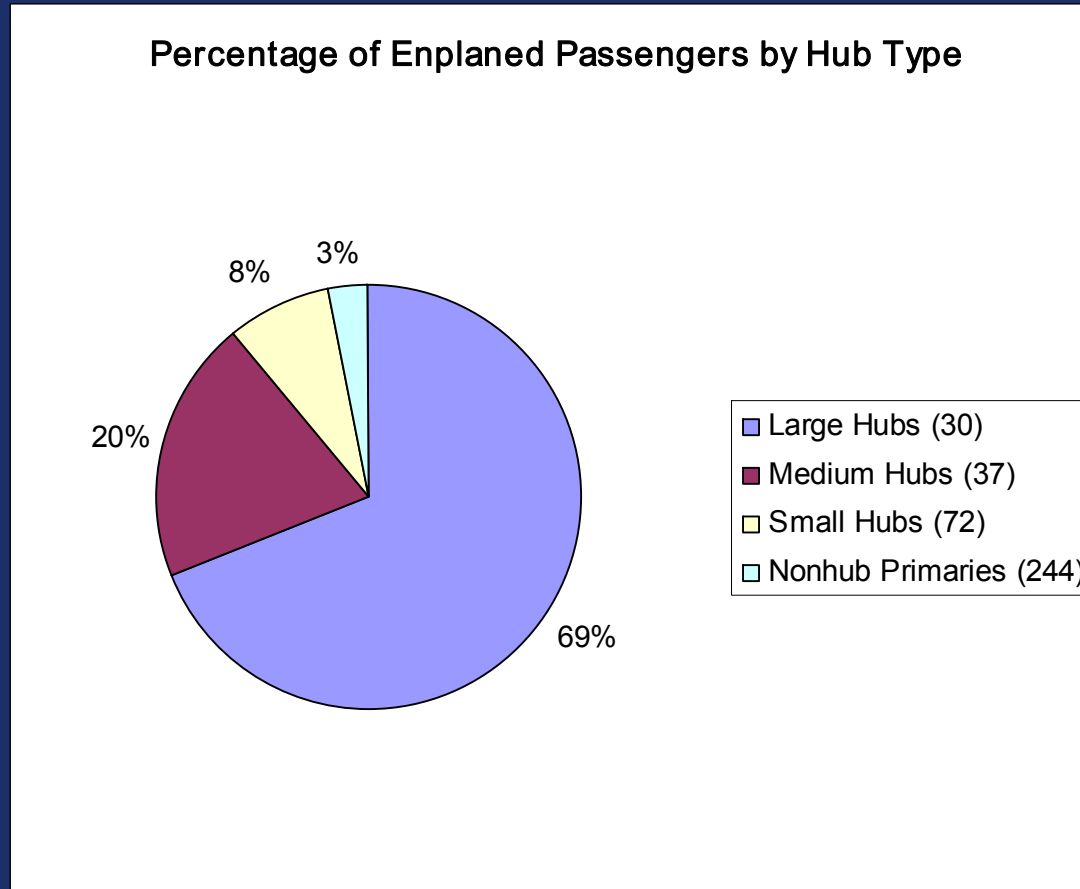




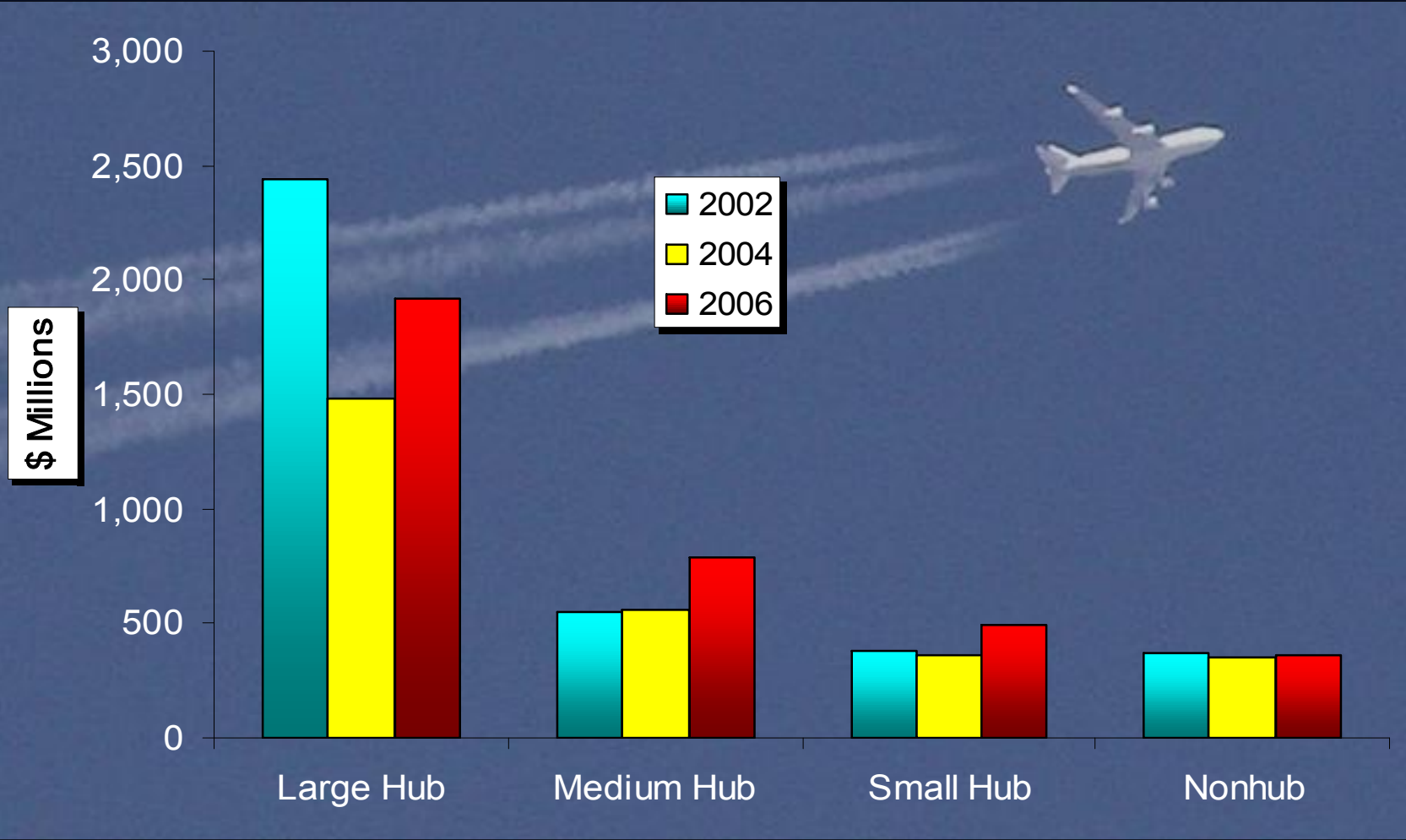
# Commercial Service Airports



# Passenger Traffic in the U.S.



# Net Income by Type of Airport



# Airport Ownership In US

- In the U.S., most airports are public non-profits, run directly by government entities or government-created authorities, known as airport or port authorities.
  - City -- 33% are city-operated. Examples include Atlanta and Austin.
  - County -- 15% are county-operated. Fort Lauderdale and Las Vegas are examples.
  - State -- 7% are state run. Honolulu and Anchorage are examples.
  - Port Authority -- 9% use a port authority. Examples include New York City and Oakland.
  - Airport Authority -- 30% use an airport authority. Washington's Reagan National and Dulles as well as Nashville are examples.
  - Other -- 6%. Examples include Dallas/Fort Worth, which is the result of contract between the two cities, and Monterrey, Calif., which is operated by a special local tax district.



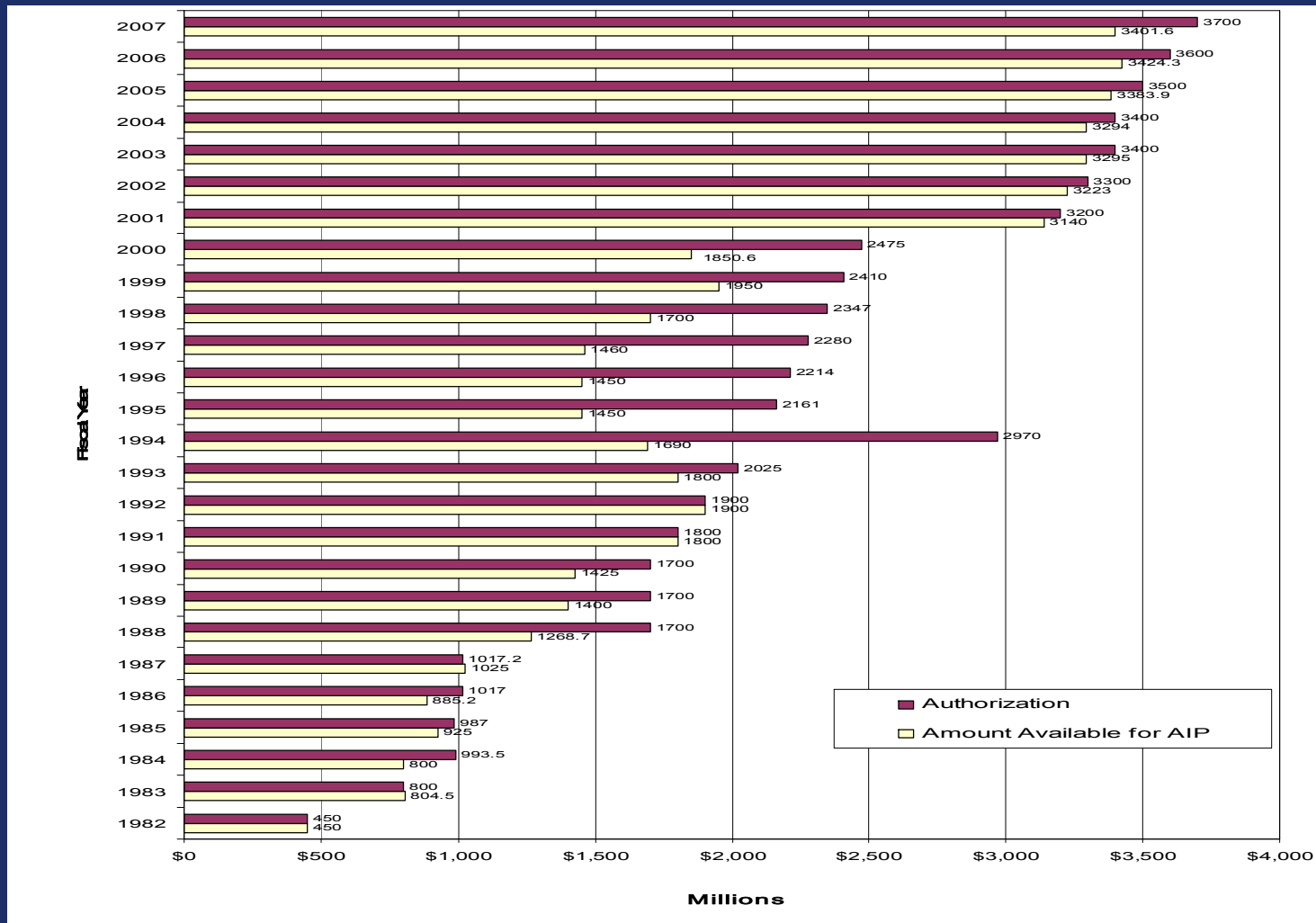
# US Airport Financing Differs From Most Other Countries

- Federal Grants Play a Significant Role
- Passenger Facility Charges (PFCs) Augment Grant Funding
- Bonds (tax free)
- Private Sector Role at Large US Airports is Extensive





# A Robust Federal Investment



# PFCs

- 378 airports approved to collect PFCs (including 97 of the top 100 airports)
- 344 airports currently collecting PFCs
- \$64.9 billion in total approved collections
- Estimated collections for:
  - Calendar Year 2008                      \$2.768 billion
  - Calendar Year 2009                      \$2.896 billion

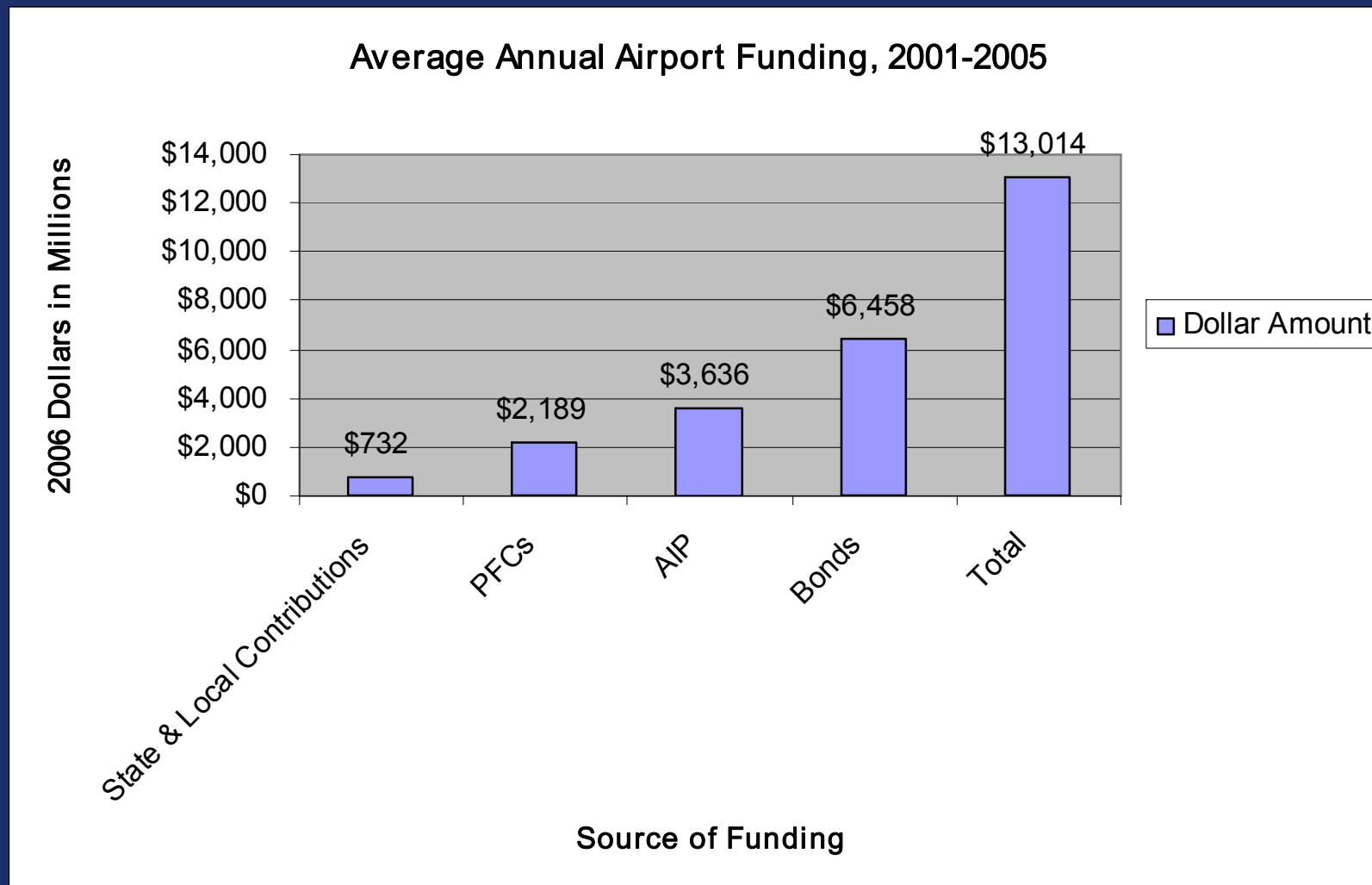


# Bond w/Tax Benefits for Public Owners

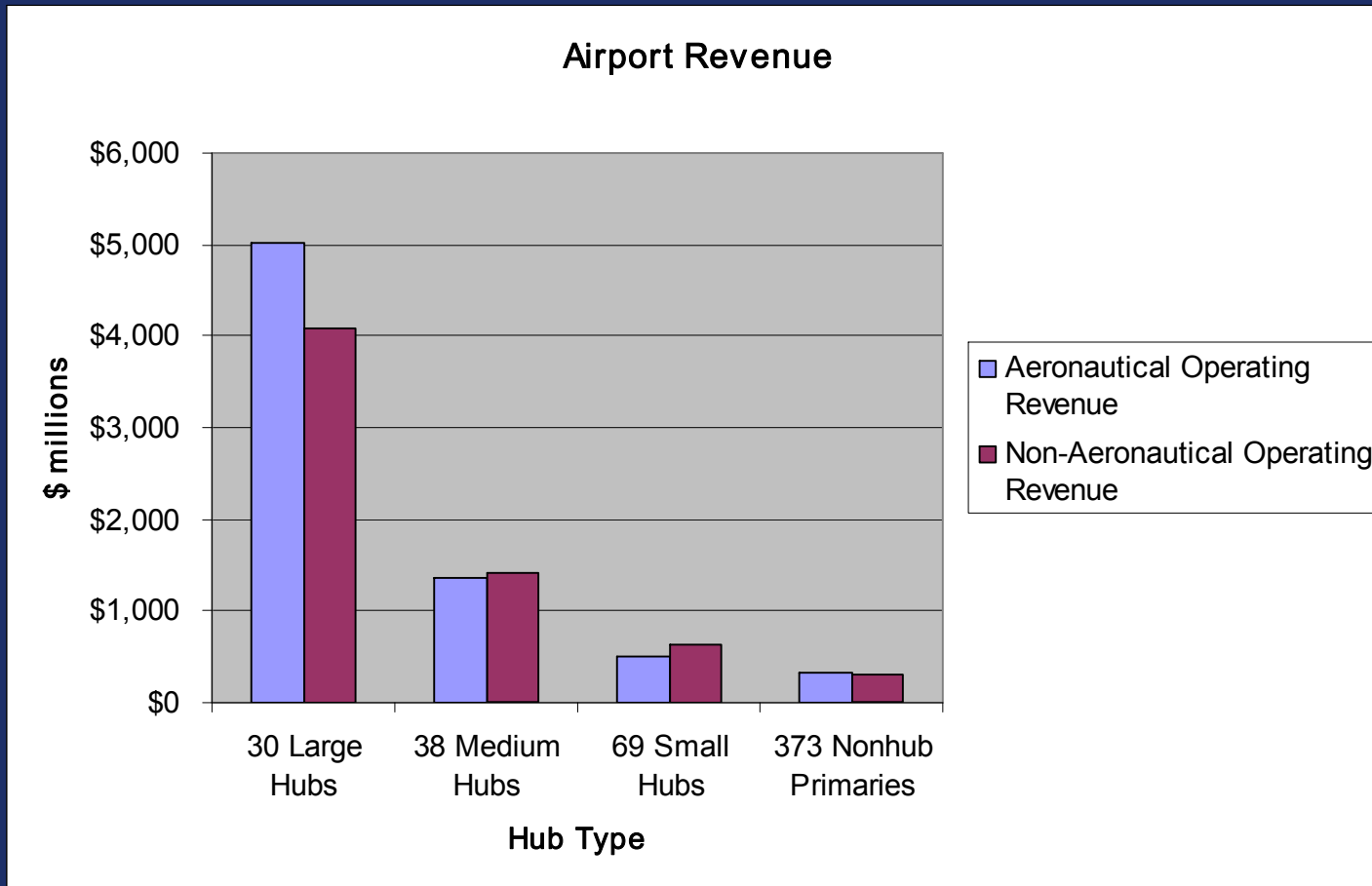
- Bonds are the largest single source of capital for large and medium hub airports
- Tax exempt status of airport owner = lower interest rate
- From 2001 to 2005, airports issued \$32.2 billion worth of bonds.
  - 75% were issued by large hub airports.



# Airport Investment by Source



# Private Sector Participation at Large US Airports is Extensive





# Advocates Say Grant and Legal Requirements Are A Impediment

- **Prohibition on Airport Revenue Diversion**
  - Only for airport purpose; allows for reasonable return on private owner's investment
- **Airport Rates and Charges Policy**
  - Airfield landing fees generally may not exceed historic cost
- **Bond Covenants May Present Restrictions**
  - To protect investors, bonds general contain covenants that require the bonds to be retired if assets are sold or transferred



# Airport Privatization Pilot Program

Example: Midway International Airport – *pending*

Proposal:

- MIDCo leases airport for 99 years
- City of Chicago could receive \$2.521 billion upon signing the lease
- Requests to use the revenue for non-airport purposes, forgo the repayment of grants, and permit MIDCo to earn compensation for operation of the airport



# Airport Privatization Pilot Program

- Created by Congress in 1996
- Goal: remove certain economic and legal impediments to determine if privatization creates alternative sources of capital for airport development and provides public benefits



# Airport Privatization Pilot Program

- **Limited to five participants**
  - One large hub airport and at least one general aviation airport
  - Air carrier airports can only be leased
  - General aviation airports can be leased or sold



# Airport Privatization Pilot Program

- FAA exempts an airport sponsor from its obligations:
  - To repay federal grants
  - To return property acquired with federal assistance
  - To use the proceeds of the sale or lease for airport purposes





# Airport Privatization Pilot Program

## Example: Stewart International Airport

- In 2000, the State of New York entered into 99-year lease with the U.S. subsidiary of National Express Group (NEG).
- Initial payments totaling \$35 million + 5% of gross income after either the first ten years of the lease had passed or traffic exceeded 1.38 million passengers.
- In January 2007, NEG transferred its lease to the Port Authority of New York and New Jersey for \$78.5 million.



# Recent Interest In Privatization of US Infrastructure

- **New Investment Fund Interests**
  - Thought that investment in infrastructure can provide yields similar to high-yield stocks
  - Ultra-low risk
    - Captive customers
    - Rich cash flows
  - Long-term investments
    - Run for decades and can provide long-term yields to many retirement investment funds (i.e. 401Ks)

