WHY USE A P3?

UNDERSTANDING AND NEGOTIATING P3s AT MEDIUM AND SMALL HUB AIRPORTS
WHAT HITS THE PRESS

- Expensive, high profile projects
  - LGA, JFK, STL, SJU,

- Complicated (uncertain) bid processes
  - HPN, MCI

- Fierce competition

- Extended timeframes

- Highly uncertain
  - expectations
  - closing
WHAT MAKES MEDIUM/SMALL AIRPORTS DIFFERENT

- Flexibility
- Adaptability
- Informality

- Investment size
- Financial complexity (+ or -)

- Bureaucracy
- Receptivity
- Education
WHAT MAKES MEDIUM/SMALL AIRPORTS ATTRACTIVE

- Investment need more obvious
- Ability to tailor transaction
- Controlled competition
- ‘Test the waters’ for creative transactions
- Few preconceived ideas
- Community interest and acceptance
PANEL FOCUS PROJECT:
PAINE FIELD PASSENGER TERMINAL
METRO SEATTLE: EVERETT, WASHINGTON
UNDERSTANDING THE DYNAMICS

Political Stakeholder
- Who's calling the shots
- Public policy objectives
- Economic development
- Operational risk transfer
- Unlocking the value of the asset

Airport Stakeholders
- Airlines
- General Aviation & Corporate
- Airport management
- Passengers

The Community
- “Airport neighbors”
- Non airport users
- Businesses
- Workforce
BEHIND THE SCENES

- Really exciting work going on at small airports
  - Paine Field
    - Structured as a terminal concession
    - County operates the airfield
    - Propeller delivers:
      - A new terminal and air service
      - Alaska Airlines
      - Second airline to announce shortly
      - Generates economic impact without taxpayer dollars
      - Year 1 = +450,000 enplanements - #124
  - Westchester County Airport
    - FAA Pilot Program
    - Bids due at the end of the week
    - Public Process launched March 27
    - Expected to close by year end
    - A/P received an initial offer of $150M + rev share
WHY ENGAGE WITH THE PRIVATE SECTOR?

- Partnership to drive further economic development
  - Jobs, tax revenues, investment, economic activity

- Develop the airport with OPM

- Ability to align interests

- So at Paine Field
  - Elected leadership defined the goals
  - Airport staff drove the process
  - Community engagement
  - Leverage the private sectors relationships
  - Creative, straight forward process
HOLLYWOOD – BURBANK AIRPORT

FRANK MILLER, EXECUTIVE DIRECTOR

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY
HOLLYWOOD – BURBANK AIRPORT
WHY SEEK PRIVATE INVESTMENT

- Reason for a medium hub to seek private investment?
  - US airports have access to capital
  - Project delivery methods similar
  - Airline consortia can be used for maintenance needs to manage life cycle maintenance and operating expenses

- Why private investment?
WHAT SHOULD WE LOOK FOR?

Control
- Airport defined level of participation
- Dispute resolution mechanisms
- Who is the owner of the asset

Faster Project Delivery
- Design build
- Airport ability to participate in the process

Cost
- Cheaper
- Project cost
- Life cycle cost
WHAT SHOULD WE LOOK FOR?

- Risk Profile
  - Private sector takes substantially all the risk
    - But, what if…
  - Evidence of ability to backstop risk
SMALL - MEDIUM AIRPORT CONSIDERATIONS

- New way of doing business
- Our role
- The unknown
  - How the P3 model applies at smaller airports

- Loss of control
  - Ability to maintain flexibility to deal with operational issues and maximize non-aeronautical revenues
  - Participation in key decision processes

- Conflicting goals
  - Maximize airport activity
  - Compatibility with community
SMALL - MEDIUM AIRPORT CONSIDERATIONS

- Considerations
  - Impact of the private sector’s expected return on investment
    - To the airlines
    - To the CPE
  - Contractual obligation to O&M
    - Standard of performance
  - TSA Coordination
TYPES OF INVESTMENTS

- Terminal buildings
  - Turnkey
  - Airport equipment
    - Baggage handling
    - Baggage claim

- Support facilities
  - Maintenance buildings
  - ARFF stations
  - Logistical centers
DNI’S JANUARY 2017 GLOBAL TRENDS REPORT

- Global strategic assessment of key trends by The National Intelligence Council

  - Uncertainties/Priorities/Choices
    - Forecast over a twenty year timespan
    - Bridge between the intelligence and policy communities
    - 2,500 interviews across a broad spectrum
    - 34 countries visited
    - Practical guidance to potential threats
Headline:

*China Buys Uninhabited Fijian Island To Build Military Base*

NYT: February 3, 2019 – Beijing: A Chinese development firm with links to the Chinese Government and Peoples Liberation Army today announced that it recently purchased the uninhabited Cobia Island from the Government of Fiji for $850 million. Western security analysts assess that China plans to use the island to build a permanent military base in the South Pacific, 3,150 miles southwest of Hawaii.
Mexico Outlaws Private Drones After Latest Assassination Attempt

Reuters: May 13, 2019 – Mexico City: The Mexican Government today announced it was a crime for private citizens to own drones after the fifth “drone-bomb”: assignation attempt by drug cartels against senior government officials in less than three months, the latest targeting the new Minister of Interior.
Airport Privatization: A Decade of Leadership in the United States

July 24, 2027 – Seattle: This year's P3 Airport Summit hosted in Seattle will focus on the explosive growth witnessed throughout the U.S. since 2017 with seven out of ten of the nation’s largest hubs having been successfully privatized. The keynote address, given by U.S. Secretary of Transportation, the Honorable Brad Tilden, will highlight how local governments have effectively transferred the financial burden from the American taxpayer to the private sector. Secretary Tilden will focus on the resulting economic impact and how the industry has benefited.

Register now to receive 5% off this year’s $17,000 registration fee!