Session 12 – Everything you need to know about privatization

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Desk Reference
Chapters 14, 22, 23, 27
Today’s Presentation

• Background – history, definitions, basics
• Recent trends
• Case studies
  – Briscoe Field, Metro Atlanta
  – Silver Comet Field, Metro Atlanta
  – Paine Field, Metro Seattle
Worldwide acceptance
P3s: did you know....

- Airport P3’s – globally, more than 450
- 48% of travelers in Europe go thru P3 airports
- Some of the most well known and respected
Very few private commercial airports (2 ± of 550)

Many publicly owned, operated general aviation airports (5,000 ±)

Most general aviation airports are privately owned, operated (15,000±)

Most airports have some level of private investment
Traditional responsibilities in USA

- **Federal Government**
  - Air traffic
  - Capital funding
  - Airport regulation

- **Local Government**
  - Airport ownership
  - Airport control
  - Airport operations

- **Private Sector**
  - Airlines
  - Concessions
  - Service providers
Key Drivers

- Political ideology
- Needed capital improvements
- Sale proceeds
- Competition/market stimulation
- Political ideology
- Efficiency improvement
- Transfer of risk

Privatization Drivers
Airport Privatization Pilot Program

San Juan (SJU)
Midway (MDW)
Stewart (SWF)
Niagara Falls (IAG)
New Orleans (NEW) (MSY)
Hendry (2IS)
Gwinnett (LZU)
Brown (SDM)
Public commercial airports that are privately operated (examples)

- Rochester (RST)
- Albany (ALB)
- Stewart (SWF)
- Sanford (SFB)
- Bob Hope (BUR)
- Westchester County (HPN)
- Atlantic City (ACY)
Constraints on *full* privatization

- FAA approval authority
- Grant assurances
- Prohibition against diversion of airport revenue
- Federal grant eligibility
- Grant repayment
- Constitutional rights and protections
- Property tax exemption
- Anti-trust immunity
- Passenger facility charges
Developed Completely by the Private Sector
Full Privatization
Developer Financing and Operation
Management Contracts
Service Contracts
Advisory Services
Why seek private investment

- Fund needed capital improvements
- Transfer of risk
- Efficiency improvement
- Sale proceeds
- Political ideology
- Competition/market stimulation
Issues to consider

• Sponsor goals
• Sponsor/ investor control
• Costs and benefits
  – Financial
  – Political
• Collateral financial impacts and benefits
• Authority to sell, lease assets
• State law constraints
• Financing options
  – Taxable vs tax exempt
  – Special entities
• Taxation
  – Property
  – Possessory interest
Checklist - 2

• Revenue use
• Proprietor control
• Grant obligations
  – 5 (sponsor rights)
  – 22 (discrimination)
  – 23 (exclusive rights)
  – 24 (self sustaining)
  – 25 (revenue diversion)
Drafting pointers

• Capital investment
• Operations
• End of term
• Subordination
• Oversight
• Level of service guarantees
• Known unknowns and unknown unknowns
Recent trends

- Need for access to private capital
- Reduced federal capital spending
- Increased regulatory burdens on public funding
- Foreign investment in infrastructure now accepted
- Innovative approaches increasingly accepted
Case studies – Practical privatization
Conclusions
Questions?

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