

St. Louis Lambert International Airport Private Partnership Exploration

Communications Outreach Team
Strategic Communications Briefing

FINAL

What Is A Public Private Partnership Or P3?

Public Private Partnerships (P3s) in transportation are contractual relationships typically between a state or local government, who are the owners of most transportation infrastructure, and a private company.

P3s provide a mechanism for greater private-sector participation in all phases of the development, operation, and financing of transportation projects.

What Are The Potential Benefits Of P3's?

- (1) P3s are a way to attract private capital to invest in transportation infrastructure;
- (2) P3s may build and operate transportation facilities more efficiently than the public sector through innovation in construction, maintenance, and operation, and strong management; and
- (3) Public sector entities can transfer many of the risks of building, maintaining, and operating transportation infrastructure to the private-sector partner

Why Consider A P3?

- Investment in airport infrastructure makes the facility more attractive to airlines and passengers; increasing the return on investment and increasing the public's use of the airport
- All publicly-owned airports in the United States have a high degree of private involvement for most airport operations. One expert states that, in some respects, U.S. airports are the most privatized in the world because most of the “finance, planning, and operating activities” are outsourced to private, for-profit companies. (*See source below)

*Source: Amedeo Odoni, “The International Institutional and Regulatory Environment,” in The Global Airline Industry, Peter Belobaba, Amedeo Odoni, and Cynthia Barnhart, eds., Wiley, 2009; Eno – Deal Or No Deal 8/1/18

What are the Key Objectives of This Process?

Deliver the **best options** for the City to:

- 1 **Enhance and Improve the St. Louis Airport**
 - * *Improve operating revenues through private partner innovation, diversification and improved use of land assets [metrics and overall customer experience]*
- 2 Generate **meaningful proceeds** for the City
 - * *Generate upfront and/or periodic payments that can be used for non-airport City purposes*
- 3 ***Expand regional economic development relationships**

* Original objectives identified in Preliminary Application to FAA

Who Is The Working Group?

The Working Group is comprised of seven City officials assembled to manage the process and guide an advisory team in exploring a potential investment partnership between the private sector and the City of St. Louis.

- 1 Linda Martinez, Deputy Mayor for Development (Mayor's designee) *
- 2 Jim Garavaglia, Deputy Comptroller Finance & Development (Comptroller's designee)*
- 3 Gerard Hollins, *Financial Analyst for the Board of Aldermen (President's designee) **
- 4 Paul Payne, *Director, Budget Division (Working Group designee/chair) **
- 5 Rhonda Hamm-Nieubruegge, *St. Louis Lambert International Airport Director*
- 6 Marlene Davis, *Ward 19 Alderwoman*
- 7 Mike Garvin, *Deputy City Counselor*

** Designates voting member*

Who Approves The Process?

- Any final agreement that allows a private entity to manage and operate the airport would require approval from:
 - The Board of Estimate and Apportionment
 - Board of Aldermen
 - Federal Aviation Administration (FAA)
 - A majority of operating airlines at St. Louis Lambert International Airport

What We Must Do...

- Understand citizens views via research
 - Focus Groups
 - Public Opinion Surveys
 - Canvassing
- Capture the minds of St. Louisans
- Ensure relevancy to the St. Louis community
- Maintain consistency and transparency
- Launch aggressive engagement

Who Are We Talking to?

- City Residents

Various Income Levels

- Concerned about quality of life
- Crime/Safety
 - Criminal/Social Justice
- Quality Neighborhoods
- Quality Education
- Stability of the Region
- Opportunities
 - Jobs
 - Quality of Leadership
 - Economic Development
 - Culture & Arts
 - Entertainment

- Business Community

Various Size Business

- Concerned about quality of life
- Crime/Safety
- Strong Employee Base
- Convenient & Quality Transportation
- Quality Education to Recruit
- Opportunities
 - Jobs
 - Small Business Contracts
 - Economic Development – a Growing Economy

11 Guiding Principles

The guiding principles for exploring a potential airport investment partnership help empower St. Louisans in a transparent process, with the facts of where the airport currently is as it relates to growth and economic impact, and what proposers believe it could be.

1. Prohibition against sale of the Airport
2. Paying off all Airport-related debt in full
3. Assumption of existing leases and vendor contracts
4. Protection of existing collective bargaining agreements and future protections as outlined in the contract
5. Development of an agreed upon plan and approach to offer employment to existing employees not covered by collective bargaining agreements and future protections as outlined in the contract and a commitment to inclusion and diversity in hiring with a focus on minority and disadvantaged hiring
6. The pursuit of a better flying experience, additional national and international passenger flights, and more freight service that support job retention and expansion in the City and the region
7. Development of a plan for growth and development of the Airport and adjoining property
8. Prohibition against discrimination
9. A commitment to achieving long term improvements in the areas of inclusion, diversity and equality for all and the utilization of MBE/WBE contractors, subcontractors and vendors
10. Achieving the goal of improving Airport operations, eliminating bonded indebtedness of the Airport and evaluating options for a potential investment partnership
11. Using any net funds in a way that will have a dramatic and positive impact on the City and its citizens

Why St. Louis Lambert International Airport?

Why would a private company have any interest in St. Louis Lambert International Airport?

Types of Private Sector Involvement at U.S. Airports

Type of private involvement	Service contracts	Management contracts	Developer financing for capital investment	Long-term lease or sale
Example:	Janitorial services Landscaping Shuttle bus operations Concessions	Parking facilities Airport-wide management	Terminal development Fuel systems Cargo Solar	Airport privatization pilot program
Specific case:	Pittsburgh Boston Washington, D.C.	Albany Indianapolis	Boston Fuel La Guardia Austin rental car	San Juan New York Stewart

Source: Tang, 2017

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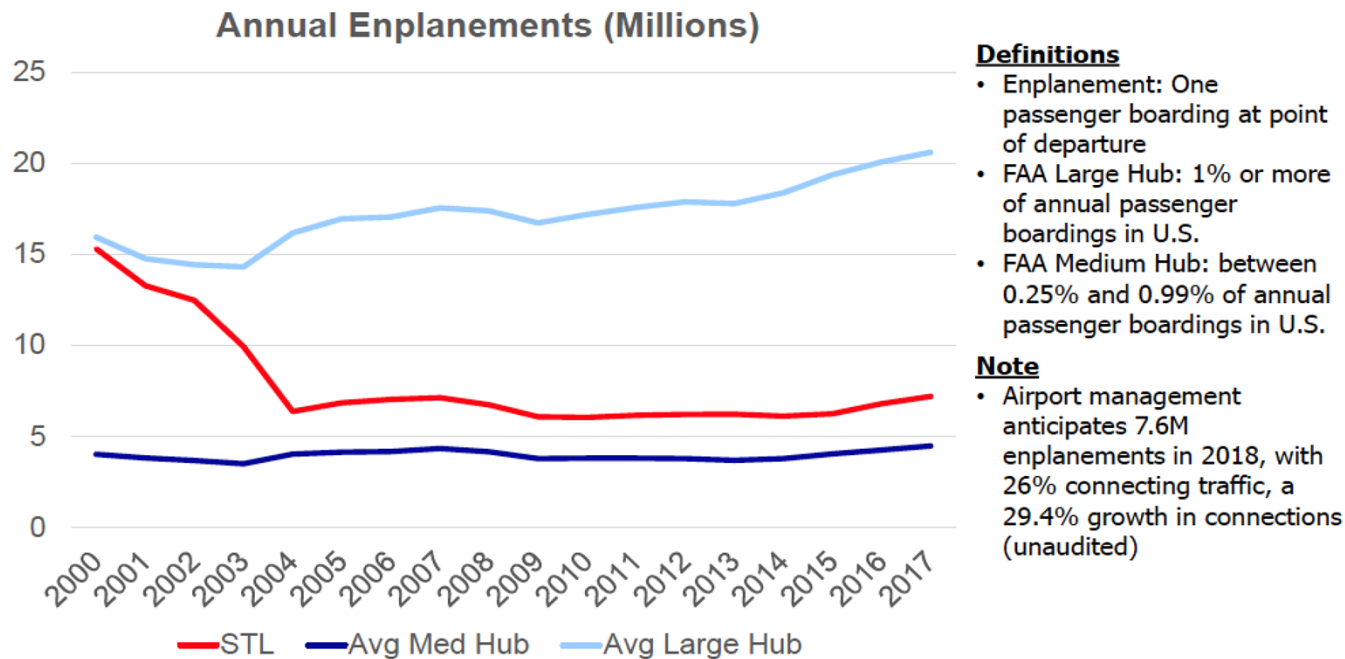
Airport Statistics

Annual Passenger Traffic, 1985–Present;

Year ◆	Total Passengers ◆	% Change ◆	Year ◆	Total Passengers ◆	% Change ◆
1985	19,942,401	—	2003	20,431,132	▼ 20.27%
1986	20,352,383	▲ 2.06%	2004	13,396,028	▼ 34.43%
1987	20,362,606	▲ 0.05%	2005	14,697,263	▲ 9.71%
1988	20,170,060	▼ 0.95%	2006	15,205,944	▲ 3.46%
1989	20,015,015	▼ 0.77%	2007	15,384,557	▲ 1.18%
1990	20,065,737	▲ 0.25%	2008	14,431,471	▼ 6.20%
1991	19,151,278	▼ 4.56%	2009	12,796,302	▼ 11.33%
1992	20,984,782	▲ 9.57%	2010	12,331,426	▼ 3.63%
1993	19,923,774	▼ 5.06%	2011	12,526,150	▲ 1.58%
1994	23,362,671	▲ 17.26%	2012	12,688,726	▲ 1.30%
1995	25,719,351	▲ 10.09%	2013	12,570,128	▼ 0.94%
1996	27,274,846	▲ 6.05%	2014	12,384,015	▼ 1.48%
1997	27,661,144	▲ 1.42%	2015	12,752,331	▲ 2.97%
1998	28,700,622	▲ 3.76%	2016	13,959,126	▲ 9.46%
1999	30,188,973	▲ 5.19%	2017	14,730,656	▲ 5.53%
2000	30,558,991	▲ 1.23%	2018	10,408,575 (Through August)	▲ 6.0%
2001	26,695,019	▼ 12.64%	This slide provides the reader a history of passenger traffic at Lambert, with 30M passengers being the best year in 2000 when Lambert was still a hub for TWA.		
2002	25,626,114	▼ 4.00%			

Cost Per Enplanement

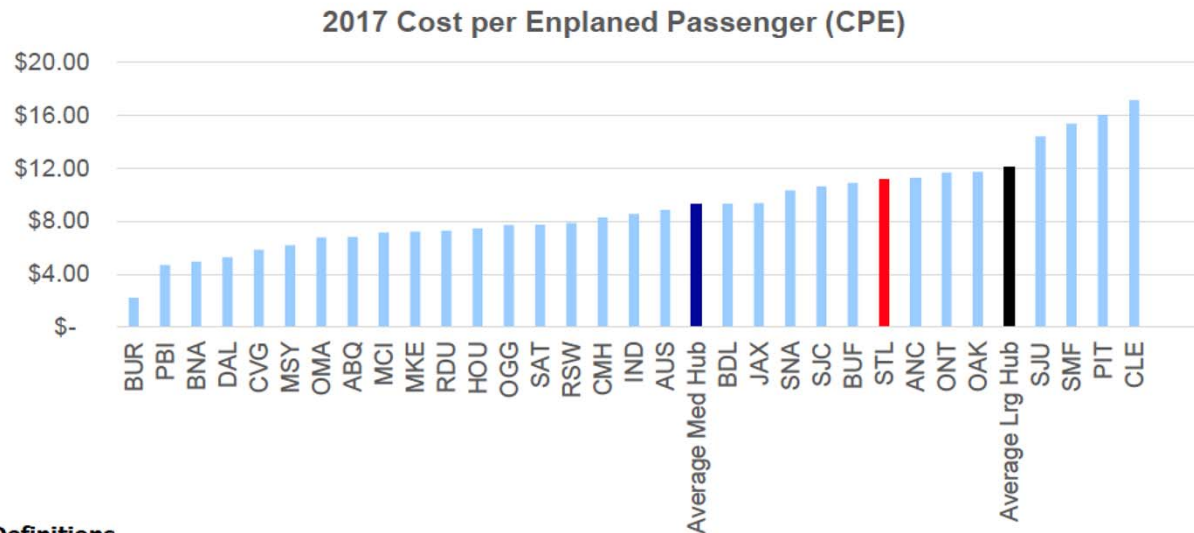
STL Enplanements Comparison



Sources: [FAA Passenger Boarding \(Enplanement\)](#) and [All-Cargo Data for U.S. Airports](#)

Cost Per Enplanement

Cost per Enplaned Passenger (CPE) for All Medium Hub Airports



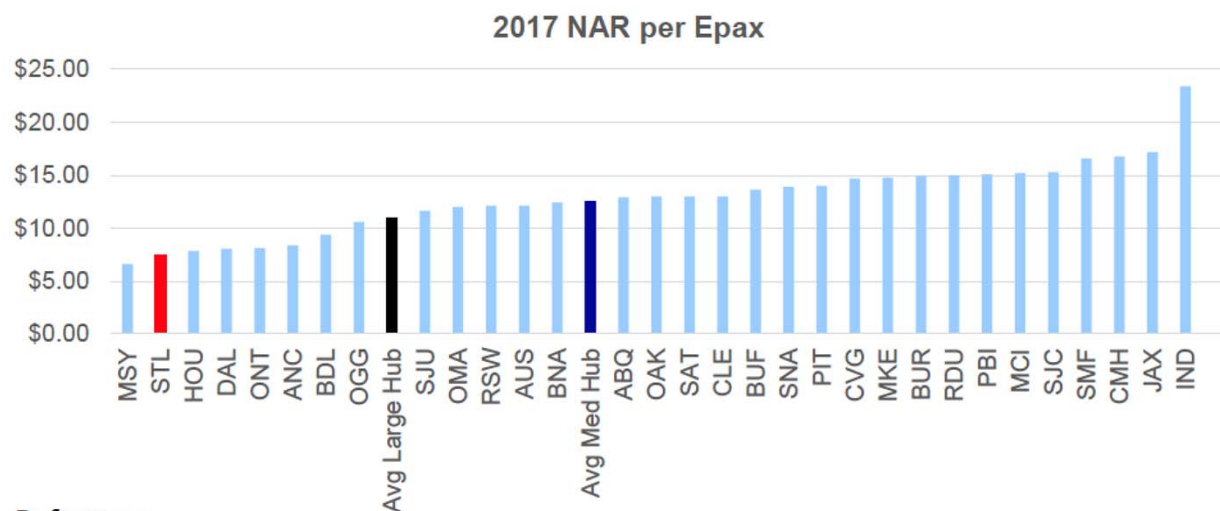
Definitions

- Cost per Enplaned Passenger (CPE): The average passenger airline payments per enplaned passenger at a given airport
- FAA Medium Hub: between 0.25% and 0.99% of annual passenger boardings in U.S.
- FAA Large Hub: 1% or more of annual passenger boardings in U.S.

Source: [Federal Aviation Administration \(FAA\) Form 127 Airport Financial Data as Gathered Utilizing the FAA Certification Activity Tracking System \(CATS\)](#)

Non-Aeronautical Revenue

Non-Aeronautical Revenue (NAR) per Enplanement (Epax) at Medium Hub Airports



Definitions

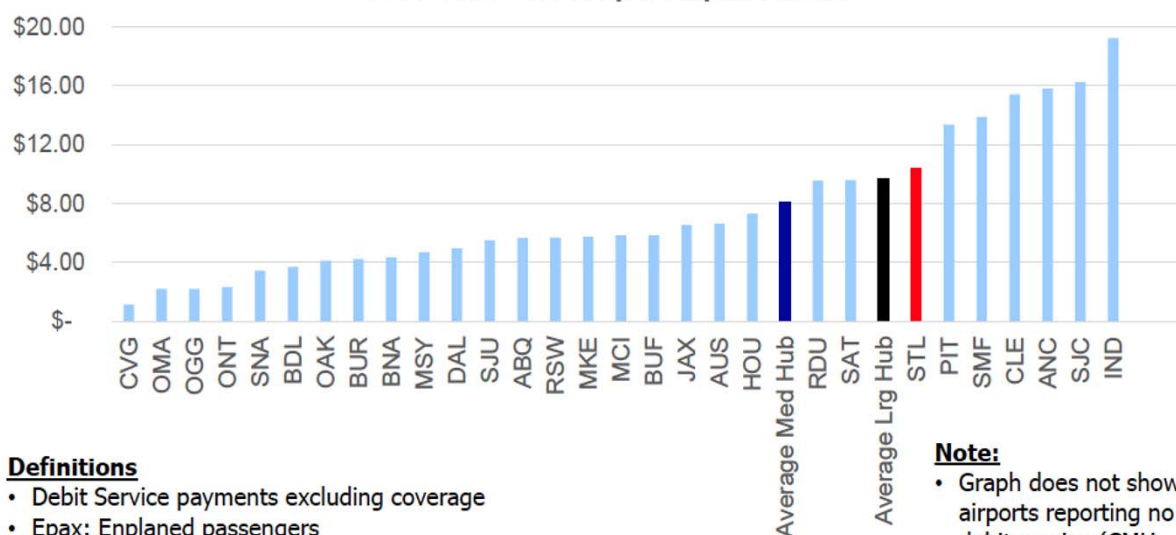
- Non-Aeronautical Revenue: Revenue derived by the airport (Note: not the City) from non-aeronautical sources including land and non-terminal leases, food and beverage, retail and duty-free, rental cars, parking, ground transportation, etc.
- Epax: Enplaned passengers

Source: [Federal Aviation Administration \(FAA\) Form 127 Airport Financial Data as Gathered Utilizing the FAA Certification Activity Tracking System \(CATS\)](#)

Debt Service Per Enplanement

Debt Service per Enplanement

2017 Debt Service per Enplanement



Definitions

- Debit Service payments excluding coverage
- Epax: Enplaned passengers
- FAA Large Hub: 1% or more of annual passenger boardings in U.S.
- FAA Medium Hub: between 0.25% and 0.99% of annual passenger boardings in U.S.

Note:

- Graph does not show airports reporting no debit service (CMH, EWR, JFK, LGA, PBI, SLC)

Source: [Federal Aviation Administration \(FAA\) Form 127 Airport Financial Data as Gathered Utilizing the FAA Certification Activity Tracking System \(CATS\)](#)

Challenges and Opportunities

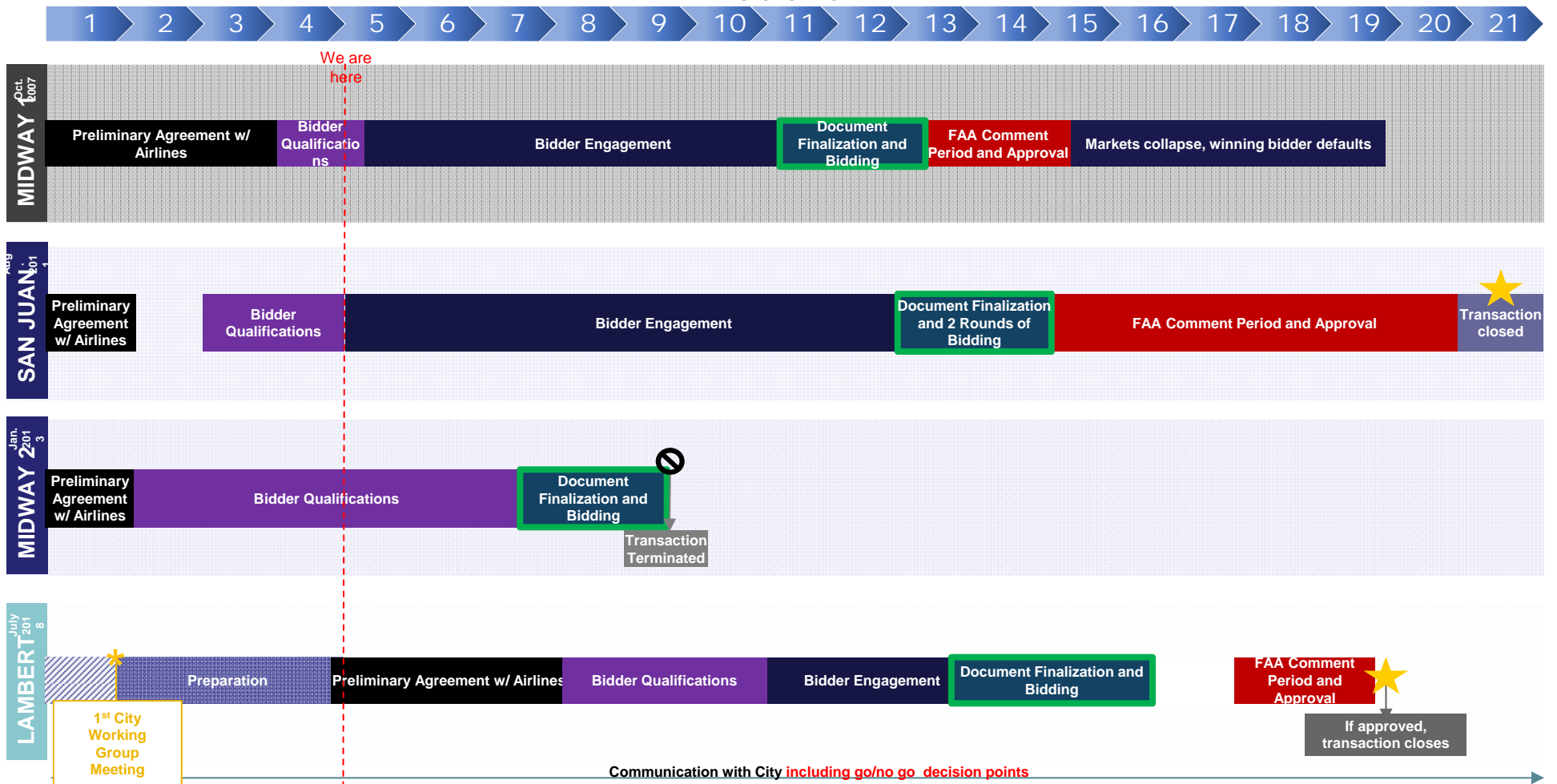
The Nation's Airport Challenges

- In 2013, an Eno report showed the runway and terminal capacity at the nation's major airports would be unlikely to accommodate projected growth in passengers over the next 20 years.
- The head of an airport trade group recently argued that airports are “at the breaking point” and need \$75 billion of capital investments in the next few years
- President Donald Trump and former Vice President Joseph Biden, who each referred to airports in metropolitan New York as “third-world”, famously buoyed this perception of major airport infrastructure deficiencies
- According to a “the best in the world” passenger survey, only five US airports rank in the top 50 globally

Process Timeline

P3 Airport Process Timeline

TRANSACTION MONTH



Preliminary Agreement w/ Airlines

Initial conversations with the airlines that operate at Lambert International Airport to determine what terms they need met in order for them to approve a bidder's proposal

Bidder Qualifications

A vetting process to determine which bidders are qualified to lease the airport and run it efficiently through the term of the proposed lease. Release an RFQ (Request for Qualifications) that firms will need to respond to in order to show that they are qualified.

Bidder Engagement

Follow up with the bidders who have expressed interest in leasing the airport. Bidders engage in due diligence on financial and operational aspects of the airport. City and its advisors discuss with bidders and their advisors the critical terms of the proposed lease and related documents and obtain information about each bidder's plans for improvement of the airport.

Document Finalization and Bidding

The city makes final determinations on the terms and conditions of the proposed lease and related documents that will govern airport operations following the lease. Bidders are invited to make final bids based on that documentation and the city makes a selection of the winning bidder.

FAA Approval and Comment Period

The FAA is required to have a 60 day comment period to receive public comments on the proposed lease and will also conduct a public hearing during that period. Following the receipt of all comments and the public hearing the FAA will make a final decision on whether to approve the proposed lease. The Transportation Security Administration will also be required to approve the winning bidder's assumption of all responsibilities under the Airport Security Plan.

Transaction closes

Following the receipt of all necessary approvals and the completion of all necessary transition work, the transaction closes with the payment to the city of all required initial payments under the lease and the shift to the winning bidder of continuing management of the airport.

Q & A